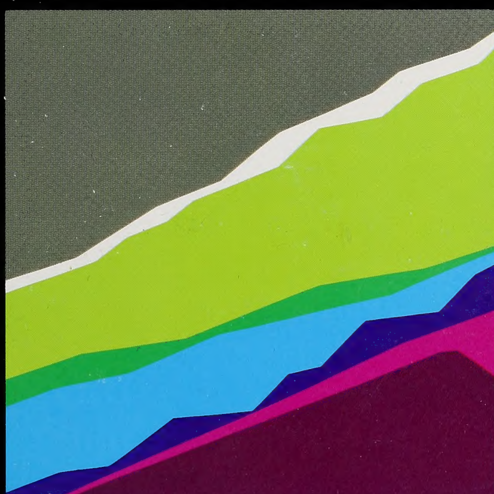
2000 A.D.

A Guide To Financial Awareness



Alberta
CONSUMER AND
CORPORATE AFFAIRS

This book is an introduction to the subject of putting your money to work to earn a profit. Its purposes are to increase your awareness of the broad scope of financial alternatives — from term deposits and government bonds to publicly traded shares and real estate — and more importantly, to increase your awareness of the associated risks and rewards.

Every effort has been made to ensure that all information is accurate to January, 1989. **As time passes, however, personal income tax and investment information changes. It's up to you to verify any information on which you base your financial decisions.**

This book is not intended as a substitute for advice from professionals in the field of personal financial planning and taxation.

Acknowledgements

Alberta Consumer and Corporate Affairs wishes to express its appreciation to the following organizations for their valuable assistance in the revision of this publication:

Alberta Economic Development and Trade
The Alberta Stock Exchange
Alberta Treasury
Alberta Treasury Branches
Canadian Bond Rating Service
Canada Deposit Insurance Corporation
Credit Union Stabilization Corporation
The Financial Times of Canada
The Globe and Mail
Institute of Chartered Accountants of Alberta
Investment Dealers Association of Canada
University of Alberta - Department of Economics
- Faculty of Extension

Alberta Consumer and Corporate Affairs fosters equity in the consumer marketplace between buyers and sellers.

2000 A.D.

A Guide To Financial Awareness

2000 A.D. is designed to help you increase your financial awareness so you can achieve, to the greatest extent possible, a financially secure future.

Look ahead to the year 2000. Have you ever stopped to think about the amount of money you'll earn between now and then? The amount could be substantial, but where will it all go? The choice is yours. You could arrive at the year 2000 with little to show, materially, for work you've done, money you've earned. Or you could build a financially secure future for yourself and your family. To accomplish this you will need to:

- Save money from your current income for future use
- Use your accumulated savings in ways that will earn more money for you
- Know the risks you're taking when you put your money to work
- Be aware of changes in the financial marketplace that affect you
- Utilize sources of information to expand your knowledge

The four parts of **2000 A.D.** each focus on a particular aspect of financial awareness. However, the information is substantial, and you may not want to read it all at once. Work your way through it slowly, using the glossary starting on page 76 as necessary to perfect your knowledge of terms and definitions in the financial marketplace.

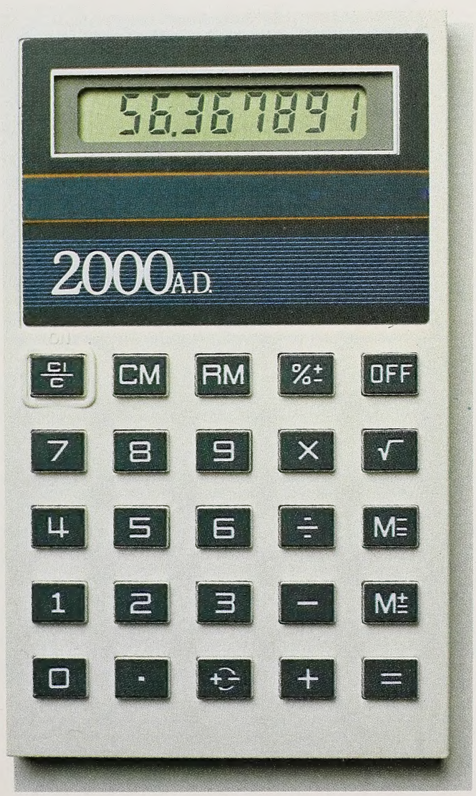
Table Of Contents

PART ONE:

GET READY

2000 A.D. is about financial planning, the creation of savings, and evaluating ways to make these savings work for you. **In this sense, the book is about investing, in that investments are anything in which money is put for the purpose of earning a profit.** Most importantly, perhaps, the book discusses the risks that exist in most investments, including insured deposits, and suggests questions to ask before putting your money into any of them.

Part One sets the stage. It takes you through the basics of financial planning and the steps you need to follow before you start investing. The steps help you assess your present circumstances, identify your goals, design a financial plan, keep your savings safe, become tax wise, and know yourself as an investor.



ASSESS YOUR PRESENT CIRCUMSTANCES

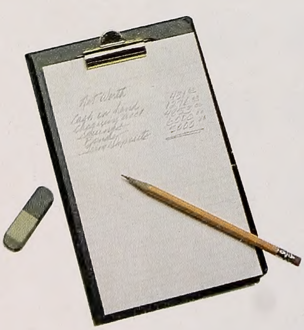
The starting point for financial planning is an honest assessment of your financial circumstances at this time. How much are you worth, how much income do you earn, and where does it go each month?

Your net worth is how wealthy you are. It is the total of all your assets, or what you own, minus your liabilities, or what you owe. It is essentially a snapshot of your financial situation on a specific date. Calculated on the same date each year, it measures your progress in moving toward financial security.

A sample format for preparing a net worth statement is provided on the opposite page. As you calculate your net worth, value your assets accurately. Use today's fair market value for such items as real estate, vehicles, and furnishings. Don't overestimate! Try to find out the current cash value of your life insurance policies and employer pension plan by contacting your insurance company and your employer's personnel office.

A net worth statement helps you analyze the nature of your assets and debts. This analysis should include the questions below. While you'll know some of the answers now, you'll be able to answer the rest when you have read this book.

- Is most of my net worth concentrated in one asset?
- Is too much of my net worth in depreciating assets such as vehicles?
- Are family assets in the most beneficial ownership for tax purposes?
- Are my assets increasing in value to match inflation?



To complete the picture of your present financial circumstances, you will need to put pencil to paper: calculate your take-home income and identify its areas of allocation. Use the "Budget Planner" chart on pages 8 and 9 to assist you in this exercise. For now, write down what you actually spend, not what you think you should spend. You will use the "Budget Planner" again later when you design your financial plan. But first, you need to take a close look at your goals.

NET WORTH STATEMENT

	ASSETS (what you own)	CURRENT VALUE
CASH AND NEAR CASH	Cash on Hand	
	Chequing Accounts/Savings Accounts/Broker Accounts	
	Canada Savings Bonds	
	Term Deposits	
	Investment Certificates	
	Money Owed to You on Demand	
	Other	
MARKETABLE ASSETS	Government Bonds/Corporate Bonds	
	Common Shares/Preferred Shares	
	Mutual Funds	
	Real Estate Investments	
	Business Interests	
	Other	
LONG-TERM ASSETS	Cash Value of Life Insurance	
	Registered Retirement Savings Plan	
	Pension Plan/Profit Sharing	
	Other	
PERSONAL ASSETS	Personal Residence	
	Recreation Property	
	Vehicles	
	Recreation Equipment	
	Household Furnishings/Equipment	
	Collectibles (art, stamps, coins, jewelry, etc.)	
	Other	
TOTAL ASSETS		

	LIABILITIES (what you owe)	AMOUNT OWING
SHORT-TERM DEBT	Charge Accounts/Credit Cards	
	Loans	
	Taxes (income or property tax currently owing)	
	Charitable Pledges	
	Unpaid Bills	
	Other (family obligations, life insurance loans, etc.)	
LONG-TERM DEBT	Home Mortgage	
	Other Mortgage Loans	
	Other (line of credit, margin account, etc.)	
TOTAL LIABILITIES		

NET WORTH equals TOTAL ASSETS minus TOTAL LIABILITIES	

Identify Your Goals

2000
1999
1998
1997
1996
1995
1994
1993
1992
1991
1990
1989

Being realistic about your goals is important if you are to design a sound savings plan and investment strategy. Begin by considering your circumstances between now and the year 2000. How old will you be then? Will you be in the midst of expensive child-rearing years? Will your children have left home? Will you be retired?

Because your goals should first meet your needs for financial security, the following financial concerns should be given consideration:

- Gradually accumulate a permanent emergency fund. The fund should be large enough to cover at least three months' expenses and should be placed where it's safe and yields the best possible interest. You also want to be able to convert the fund to cash easily, without loss, and to be able to withdraw only a portion of it if necessary.
- Regularly contribute to a pension plan, safe retirement savings, or both. Financial security in retirement should be planned many years in advance. Recognition of this fact has made registered retirement savings plans (RRSPs) popular for long-term savings. However, money in an RRSP can be at risk. Make sure you ask questions about the safety of your money. Refer to the box "Registered Retirement Savings Plans" on page 7.
- Obtain sufficient insurance to protect your family and your assets. Insurance is one of the cornerstones of financial security. Since this subject is not dealt with in this book, however, develop your awareness by pursuing some of the resources referred to on page 69.
- If you own your own home, work toward paying off your mortgage. Owning a clear-title residence is an investment which contributes to family security. Eliminating mortgage payments removes a large interest expense which is not tax-deductible. However, accomplishing this goal may be a long-term project. Mortgage rates and interest rates available on other investments, as well as your other goals, will influence your decision to pay off your mortgage.

Combine your realities with your dreams and identify your major goals from now until the year 2000. Follow these suggestions:

- Be specific. The clearer your goals, the greater your chances of achieving them. Long-range goals are more attainable if you set interim goals to measure your progress.
- Put a price tag on your goals. Knowing their cost helps you plan to reach them.

- Set a time frame for goal achievement. This gives impetus to your planning.
- Write your goals down. This increases your commitment and helps you plan.

Develop a personal chart of your major goals to the year 2000. An example is provided below. Begin by listing your short-term goals and progress to those that are more distant. Where possible, decide upon a date when the goals will be achieved, and note your age for a touch of reality. Estimate the cost of each goal, and determine when it must become part of your savings plan in order to be achieved. You will then have to include that expense in your budget.

MAJOR GOALS TO THE YEAR 2000

YEAR	AGE	GOALS	TOTAL COST
2000 A.D.			

REGISTERED RETIREMENT SAVINGS PLANS

A registered retirement savings plan (RRSP) is not a type of investment. Think of it as a box into which you put investments of your choice. The plan must be registered with Revenue Canada by the institution which holds the RRSP for you.

Revenue Canada has identified the investments which qualify for inclusion in an RRSP. Among them are term deposits, guaranteed investment certificates, mutual funds, mortgages, bonds, and shares. As you read on you will learn more about these investments and their respective risks. You cannot assume that an RRSP is risk free. The safety of your money in an RRSP depends on the type of investment you choose and the financial institution with which you deal.

Don't be misled by the term ''government approved'' in information pamphlets or advertisements for RRSPs. ''Government approved'' simply means that the investment qualifies for inclusion in an RRSP under Revenue Canada rules. It is not a guarantee that your money will be safe. To learn more about RRSPs, refer to the resources listed on page 68.

DESIGN YOUR FINANCIAL PLAN

BUDGET PLANNER

So far you have prepared a net worth statement to get a clear picture of your assets and liabilities. You have tracked your cash flow to find out where your money goes. Dreaming a little, you have examined your future realities to develop a list of meaningful goals to the year 2000. Now — to make it happen!

A budget or personal spending plan will help you control your spending and direct more money in-

MONTHLY TAKE-HOME INCOME

WAGES/SALARY	
WAGES/SALARY	
FAMILY ALLOWANCE/PENSION	
OTHER REGULAR MONTHLY INCOME	
TOTAL MONTHLY TAKE-HOME INCOME	

MONTHLY BUDGET

MONTHLY SAVINGS	EMERGENCY FUND		
	TOTAL MONTHLY SAVINGS		1

MONTHLY LIVING EXPENSES	FOOD (plus other grocery store items)		
	HOUSING	1st mortgage or rent	
		2nd mortgage	
	UTILITIES (total from box "A" on opposite page)		
	HOUSEHOLD INCIDENTALS (dry cleaning, newspapers, etc.)		
	TRANSPORTATION	gasoline	
		bus fare	
		parking	
	PERSONAL ALLOWANCES AND RECREATION (total from box "B" on opposite page)		
	OTHER (child support, alimony, child care, household help, etc.)		
	MONTHLY REQUIREMENT FOR IRREGULAR AND ANNUAL EXPENSES (total from box "C" on opposite page)		
	TOTAL MONTHLY LIVING EXPENSES		2

MONTHLY CREDIT PAYMENTS		
	TOTAL MONTHLY CREDIT PAYMENTS	3

TOTAL MONTHLY BUDGET (add lines 1, 2, and 3)	

to savings so that you can achieve your goals. Using a budget guide such as the "Budget Planner" on these pages, design a budget that is realistic, controls your spending, and gives savings a high priority.

Review your goals, especially the most immediate ones, noting their cost. An emergency fund, already discussed on page 6, may be one of your first savings priorities. How much must you save this year to achieve these goals? Are you expecting any unusual income such as a tax refund, bonus, or bond interest which could be used for these goals? Determine the amount you must save monthly and work it into your budget.

If you'd like more information on how to prepare a budget, use the clip-out coupon on page 75 to send for *Taking Charge*. This booklet focuses on budgeting, using credit wisely, and trimming expenses.

BUDGET DETAILS

Transfer the totals from boxes A, B, and C to the appropriate line on the MONTHLY BUDGET chart on the opposite page.

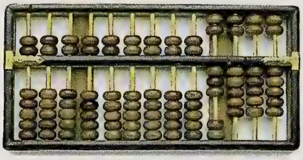
A MONTHLY UTILITIES		
POWER		
WATER/SEWAGE/WASTE		
TELEPHONE	local	
	long distance	
NATURAL GAS		
CABLE TV/PAY TV		
TOTAL MONTHLY UTILITIES		

B MONTHLY PERSONAL ALLOWANCES AND RECREATION		
PERSONAL ALLOWANCES (monthly amount for each family member for lunches, grooming, hobbies, tobacco, alcohol, etc.)		
FAMILY RECREATION		
TOTAL MONTHLY PERSONAL ALLOWANCES AND RECREATION		

NOTES

C IRREGULAR AND ANNUAL EXPENSES (All figures on this chart should be annual not monthly amounts.)		
CLOTHING (list annual amount for each family member)		
INSURANCE (if you pay directly)	vehicles	
	life	
	property	
	other	
MEDICATION/MEDICAL FEES		
DENTAL/OPTICAL		
EDUCATION	tuition	
	supplies	
TAXES (if you pay directly)	property	
	income	
LICENSES	vehicles	
	other	
MAINTENANCE	vehicles	
	home & garden	
	furnishings	
GIFTS/FESTIVITIES	Christmas	
	other	
TRAVEL/HOLIDAYS	annual holiday	
	other travel	
CONTRIBUTIONS/DONATIONS		
MEMBERSHIPS/SEASON TICKETS		
OTHER (subscriptions, items you plan to purchase next year, etc.)		
TOTAL IRREGULAR AND ANNUAL EXPENSES		
MONTHLY REQUIREMENT FOR IRREGULAR AND ANNUAL EXPENSES (divide total by 12)		

SAVINGS STRATEGIES



Saving regularly is an important part of achieving financial security. The table below, "The Magic of Compound Interest," shows how annual savings of $1,000 increase over the years, depending on the interest. For many people regular saving is easy, but if you have difficulty, consider these strategies.

- Pay yourself first. Make savings a priority around which you design your monthly budget.
- To avoid impulse spending, move your savings into a separate account.
- Arrange to purchase Canada Savings Bonds in October through a payroll deduction plan. If such a plan is not available, buy a bond using the special loan arrangements offered by most banking institutions, and pay off your loan monthly.
- Put any windfall income such as tax refunds or gifts into savings.
- Practice being thrifty. Small savings produce significant results over the long term.
- When a regular expense such as a loan payment or tax instalment is eliminated from your budget, continue putting that amount into savings.
- If you have consumer loans or credit card debts, make paying them off a priority. Saving money at 6% to 8% interest, especially if you must pay income tax on this interest, while not paying off a debt costing you 12% to 24%, is a poor financial choice. Paying off a debt may not seem as satisfying as watching your savings increase, but it moves you toward your goal of financial security. Paying off the mortgage on your residence may be the quickest and safest way of saving money.

THE MAGIC OF COMPOUND INTEREST

Look what happens when you save $1,000 per year at various interest rates. The figures illustrate two facts: 1) It takes time for savings to increase substantially. 2) A small difference in the interest rate earned by your savings makes a big difference over time. The following calculations do not reflect the effect of taxation.

Years	6%	8%	10%	12%
5	$ 5,975	$ 6,335	$ 6,715	$ 7,115
10	13,971	15,645	17,531	19,654
15	24,672	29,324	34,949	41,753
20	38,992	49,422	63,002	80,698
25	58,156	78,954	108,181	149,333
30	83,801	122,345	180,943	270,292

Keep Your Savings Safe

Accumulated savings represent hard work, planning, and sacrifice. To reap the greatest benefit of that effort and move toward financial security, you want to put your savings to work to earn a profit without needless risk.

Some investment opportunities, such as insured deposits, present negligible risk; others are extremely risky. The important thing is to be able to evaluate opportunities for their relative risk and choose those investments most appropriate to your needs. To do nothing at all with your money because of the risk involved will work to your disadvantage, as inflation steadily erodes its buying power.

Protection: Where You Put Your Savings

The safety of your savings depends, in part, on where you choose to put your money. The protection afforded by various financial institutions is described in the following section. **No matter which financial institution you plan to deal with, regularly review the safety and security of your money. Be sure to clarify the details of any deposit insurance that may exist by asking for a brochure and reading it carefully.**

Meanwhile, be sure to check and understand the protection offered by the Canada Deposit Insurance Corporation (CDIC) as described in the box on page 13. Make sure you distinguish between those financial instruments which are protected by the CDIC, and those which are not.

Credit Unions

All credit unions in Alberta operate under the jurisdiction of the Credit Union Act, part II of which has established the Credit Union Stabilization Corporation. The primary purpose of this corporation is to assure the repayment of money invested in deposits with a credit union, including earned interest on the deposits.

This assurance covers all deposit accounts, including RRSP accounts and term deposits of any term length, with no limit on deposit size.

In addition, the Government of Alberta has stated that the province will support the Credit Union Stabilization Corporation in its role as guarantor of deposits. **However, one must always check with any institution on a regular basis as to the status of the guarantee in place.**

Alberta Treasury Branches

Operating under authority of the Treasury Branches Act, Alberta Treasury Branches has offered banking services to Albertans since 1938. Although it is not a member of CDIC, the Province of Alberta unconditionally guarantees the principal and interest of all deposits in Alberta Treasury Branches. Examples of such guaranteed deposits offered by Treasury Branches include U.S. dollar accounts, term deposits of any length of term and amount, RRSP/RRIF accounts with no limit on deposit size, guaranteed investment certificates (GICs) and variable rate certificates (VRCs - see glossary).

Banks, Trust Companies and Loan Companies

Membership with the Canada Deposit Insurance Corporation is limited to banks, trust companies and loan companies (see glossary). Members are required to prominently display CDIC's membership sign. The purpose of the sign is to indicate the membership status of an institution. It is not intended to imply that all investments made with the company are CDIC-insured. The membership status of a financial institution can also be confirmed by calling CDIC's toll-free number (1-800-267-1999).

Because certain types of accounts and deposits may not be insured, one must always check on a regular basis as to the status of the insurance in place.

Others

Investment Dealers/Stockbrokers: Investment dealers, also commonly referred to as stockbrokers (terms technically defined on page 59), provide accounts in which clients can deposit cash. Interest is credited monthly if a minimum balance is maintained. Investment dealers are not members of CDIC. Thus, when you deposit cash with them, your money is not protected by government guarantees. Instead, the Investment Dealers Association of Canada and Canada's four stock exchanges (Vancouver, Alberta, Toronto and Montreal) maintain the National Contingency Fund. This fund was established in 1967 to protect investors against loss in the event of the financial failure of a member firm. **The fund does not protect an investor against losses resulting from buying and selling securities.** For more information about the National Contingency Fund, contact the Investment Dealers Association of Canada. See page 74 for the Association's address.

Investment Contract Companies: These companies accept single payments or a contractual series of payments. Generally, the money you invest is locked in until the contract expires. The return on your money depends on how successful the company is in re-investing your money for profit. Investment contract companies operating in Alberta must be registered under the Province's Investment Contracts Act, but are not members of CDIC. Therefore, the investment contracts and certificates you obtain from them are not insured; no government guarantee exists to protect your investment. Before putting your savings into an investment contract company, make sure you read carefully and understand the details of the contract and the nature of any risk you may be taking with your money.

Evolving Institutions: While the preceding paragraphs describe the common financial institutions which exist today, new institutions and financial instruments are bound to evolve. **Before investing your money in any institution, new or old, it's your responsibility to determine what protection exists, and on a regular basis thereafter, to check the status of that protection.**

CANADA DEPOSIT INSURANCE CORPORATION

The CDIC is a federal crown corporation established in 1967 to provide insurance for the benefit of persons having deposits with member institutions, against the loss of all or part of their deposits. Member institutions include banks, trust companies and loan companies.

A federally incorporated financial institution cannot accept deposits from the public unless it is a member of CDIC, and although provincial institutions are regulated by provincial legislation, in Alberta the same requirement applies. Members are required to prominently display a CDIC membership sign. The membership status of a financial institution can also be confirmed by calling CDIC's toll-free number (1-800-267-1999).

Be sure you understand which accounts are insurable under CDIC, and which types of investments are excluded. The following points provide more information about CDIC:

- Insurable deposits include, but are not limited to: savings and chequing accounts; term deposits such as guaranteed investment certificates (GICs) and debentures (issued by member loan companies); money orders; drafts; certified drafts or cheques; and travellers' cheques issued by members.
- Uninsurable deposits and investments include but are not limited to: foreign currency savings and chequing accounts; debentures issued by a chartered bank; bonds and debentures issued by governments and corporations; treasury bills; and investments in mortgages, stocks and mutual funds.
- To be insurable by CDIC, a deposit must be payable in Canada, in Canadian currency, and must be repayable on demand, or on or before the expiration of five years.
- The maximum insurance coverage is $60,000 per person in each member institution. This amount applies to the combined total of all the insurable deposits a person may have with the same member. Separate insurance, to the $60,000 maximum, applies for joint deposits and deposits held in RRSPs and RRIFs.

Example: Two persons can obtain deposit insurance protection on insurable deposits made with the same member by making deposits as follows:

Person "A"		**Person "B"**	
Savings, chequing and term deposits	$ 60,000	Savings, chequing and term deposits	$ 60,000
RRSP	$ 60,000	RRSP and/or Spousal RRSP	$ 60,000
RRIF	$ 60,000	RRIF	$ 60,000
	$180,000		$180,000

Persons "A" and "B" jointly	
Savings, chequing and term deposits	$ 60,000

- Moneys held in RRSPs and RRIFs must be invested in insurable deposits in order to be covered. The maximum deposit insurance for RRSPs and RRIFs is $60,000 for each type of plan. These are separately insured from any other deposits a person may have with the same member.
- Trust deposits and assets of an estate deposited by an executor are insured up to the $60,000 maximum. If separate beneficiaries are named, each beneficiary is entitled to an insured deposit in the estate trust up to a maximum of $60,000, provided the records of the member institution indicate the trusteeship as well as the beneficial interests of each beneficiary. Also, in order to meet the provisions of the CDIC Act, the trust must be a "genuine" trust with the property interest in the deposit being that of the beneficiary and **not** the trustee.

Although every effort has been made to ensure the accuracy and timeliness of the above information, it remains your responsibility as an investor to be alert to any changes that may be made in a corporation's protection of its individual depositors. The safety of your savings is ultimately your responsibility.

CDIC produces an **Information** brochure and a **Members** brochure. These publications are free of charge and can be obtained from members or by contacting:

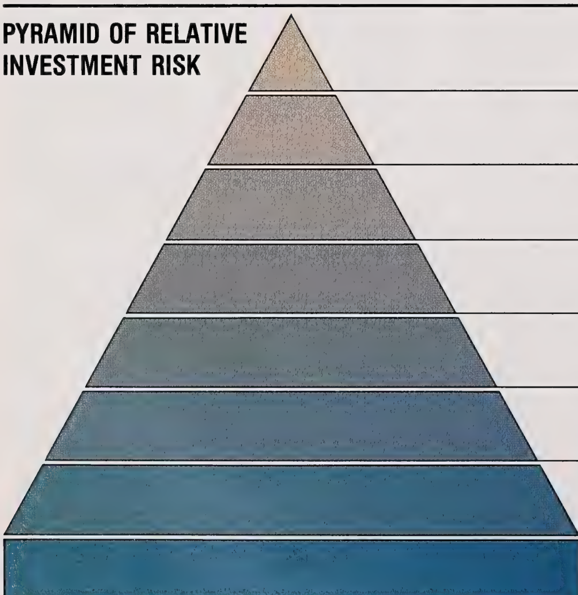
Canada Deposit Insurance Corporation
320 Queen Street, 22nd Floor
P.O. Box 2340, Station D
Ottawa, Ontario
K1P 5W5
Telephone (toll-free): 1-800-267-1999)

PROTECTION: HOW YOU PUT YOUR SAVINGS TO WORK

The institution with which you choose to place your money is only part of the safety story. How you put your money to work is just as important. One way to illustrate the relative risk of various financial alternatives is to present them in the pyramid form shown below. Investments offering the least risk form the stable base. As the pyramid rises, relative investment risk increases because issuer guarantees fade and market forces and economic conditions begin to determine the return on your investment.

You may not be familiar with all of the investments identified in the pyramid. They are explained in Part Two and defined in the glossary of this book. Your knowledge of them will help you diversify your investments — that is, prevent you from putting all your eggs in one basket — and will be your best protection as you endeavor to keep your savings safe while putting them to work.

PYRAMID OF RELATIVE INVESTMENT RISK



commodity futures, collectibles, gold, tax shelters, security options, speculative shares

real estate investments

growth shares, growth mutual funds, investment mortgages, investment contracts

balanced mutual funds, blue chip common shares

corporate bonds and debentures preferred shares, income/bond mutual funds

annuities, guaranteed investment certificates, money market funds

government bonds, Canada Savings Bonds, Alberta Capital Bonds, term deposits, interest-bearing accounts, treasury bills

SOLID FOUNDATION
insurance, emergency fund, pension fund, clear-title residence, conservatively invested retirement savings

The pyramid depicts the relative risk of various investment options. However, you should bear in mind that numerous factors affect the risk level of investments, such as eligibility for insurance (see ''CDIC'' box on page 13), and whether or not you exceed the amount identified by an issuer as the insured maximum for a particular investment.

THE FINAL WORD

Words can sometimes trip people up. For instance, if you see an advertisement that says "13% guaranteed," it doesn't mean your money is insured or protected in some special way. The institution is merely promising to pay 13% on your money — **as long as the institution remains in business.** If you see the word "guaranteed," ask what's guaranteed — the interest rate or the safety of your money. **Ask what will happen to your money if the institution runs into financial difficulty or goes out of business.**

The word "secured" is sometimes also misunderstood. It doesn't mean your money is insured. It only means your investment is backed by certain assets of the company. If these assets diminish in value, the security for your investment will also diminish.

Another word that sometimes causes confusion is "deposit." Some people think that if they put their money into something called a deposit, it will be 100% safe. Unfortunately, it's not that simple. As explained in this section, the safety of a deposit depends primarily on where you put your money, the term of the deposit, and the amount deposited. True, deposits tend to be less risky than other investments such as speculative shares and real estate, but some deposits do have risks. It's up to you to learn what they are.

A misunderstanding about the nature of your investment can also cause problems. For example, if you thought you were making an insured deposit when you were really buying units in a mutual fund, or investing in mortgages, you would be putting your money at risk without realizing it.

Never become complacent about the safety of your money. Always thoroughly check the nature of the investment and its risks. Questions to ask yourself before you invest are provided on pages 54 to 56.

BECOME TAX WISE

Can you identify your single largest annual expense? It could be your mortgage or food if your family includes four teenagers and a large dog. But for most people, it's income tax. Consequently, understanding basic tax terms and the tax legislation which relates to personal income is essential for successful financial planning.

Although some people feel that income tax is too difficult for the average person to understand, the basic tax ideas presented here are all understandable — just tackle them slowly. Your payoff will be a better appreciation of the impact of income tax on your income and investments. By becoming tax wise, you will be able to design financial strategies which use tax regulations to your benefit.

The tax information contained herein is not intended to be, nor should it be construed to be, legal or tax advice to any investor. Accordingly, investors should consult with their own tax advisors for advice regarding the tax strategies and facts pertinent to their own particular circumstances. Much about tax can also be learned on an individual basis, by referring to books and information sources such as those listed on page 68.

ALTERNATIVE MINIMUM TAX

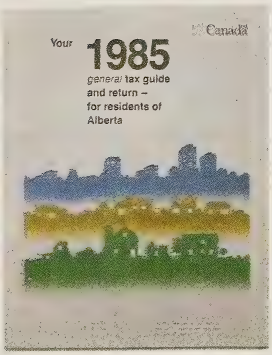
Implemented under federal legislation in 1986, the alternative minimum tax (AMT) is intended to ensure that individuals who take advantage of tax preferences (e.g., capital gains) or tax incentives (e.g., tax shelter deductions), are required to pay a minimum amount of income tax.

Generally, the AMT is calculated at a 25% combined federal and provincial rate on annual taxable income, adjusted to add tax preferences and incentive deductions, less a $40,000 exemption. AMT so calculated is only paid if, and to the extent which, it exceeds your normal tax liability for the year. If paid, you may be able to recover your AMT in subsequent years, when normal tax is paid.

If you expect to be affected by the AMT, you may wish to discuss your situation with a tax advisor.

TAX TERMS

Most of the following common tax terms are linked in pairs to illustrate their relationships.



Total Income and Taxable Income

While you must report your total income from all sources on your tax return, you are not taxed on your total income, but on your taxable income: the amount remaining after you have claimed all allowable deductions. Many taxpayers fail to claim all deductions for which they are eligible. Two simple strategies for keeping as much of your hard-earned money as possible, are to perform careful annual reviews of items allowable as tax deductions, and to become a receipt collector.

Tax Deductions and Tax Credits

The conversion of many tax deductions and personal exemptions to tax credits was one of the major tax reforms to have been introduced in 1988. In practical terms, the value of a credit is the same to any taxpayer in terms of absolute dollars, regardless of his marginal tax rate (see item after next), whereas the value of a deduction depends on one's marginal tax rate.

Tax deductions are specified types and amounts of expenses which you may subtract from your total income to arrive at your taxable income. You can quickly calculate approximately how much a tax deduction will benefit you in actual tax dollars saved. Multiply the deduction by your marginal tax rate (see item after next). For example, if your marginal tax rate is 25.92%, a contribution to an RRSP of $100 will give you a $25.92 tax reduction.

Tax deductions still in effect since 1988 include private pension plan and RRSP contributions, alimony and maintenance payments, moving expenses and child care expenses.

Tax credits are specified types and amounts of expenses which you may subtract directly from the amount of tax you owe. Tax credits give you a dollar-for-dollar reduction in your income tax.

Since 1988, tax credits have been used in place of the old system of personal exemptions, pension income deduction, and CPP and UIC contributions. Similarly, a number of expenses including charitable donations, medical expenses and tuition fees have been identified as tax credits. The political contributions credit, refundable sales tax credit and child tax credit remain.

The Alberta Stock Savings Plan also offers tax credits to be applied against provincial tax payable. This plan is an incentive to invest in new issues of securities issued by eligible companies listed on the Alberta Stock Exchange. An information brochure is available from Alberta Treasury, Tax Information Service at 427-0712 in Edmonton (Zenith-22143 — Alberta only) or from any securities dealer in Alberta. Revenue Canada also distributes an information circular (#87-3), entitled "Alberta Stock Savings Plan."

Before-tax Dollars and After-tax Dollars

While your salary is quoted in before-tax dollars, the part of your income that is available for spending is after-tax dollars. For example, if your income is subject to 25.92% tax and you earn $100, you'll only have $74.08 to spend after paying tax. On the other hand, any expense or investment which is tax-deductible is made with before-tax dollars. In other words, if you earn $100, you can invest the entire amount in a tax-deductible item such as an RRSP.

Within certain guidelines, any interest expense you incur to make investments is usually tax-deductible and, therefore, is paid with before-tax dollars. Any interest expense which is not tax-deductible, such as mortgage or credit card interest, is paid with after-tax dollars. Therefore, one important tax-planning strategy is to reduce or eliminate any interest expense paid with after-tax dollars.

Marginal Tax Rate

The concept of marginal tax rate is this: Different portions of your taxable income are taxed at different percentage rates. You pay a low rate of tax on the first portion of your taxable income, and progressively higher rates on subsequent portions, with marginal tax rate being the rate of tax applied to the last dollars of your taxable income for a given year.

Think of your taxable income as a staircase with each step having a different and usually higher rate of tax. Each step is referred to as a tax bracket. As of the 1988 taxation year, there are fewer tax brackets than in previous years. The structure of the federal tax rates will be 17% on the first $27,500 of taxable income, 26% on the next $27,500 of taxable income and 29% on any taxable income over $55,000. These federal rates will be combined with the provincial tax rate to determine taxes owing in any one year.

To calculate your marginal tax rate (MTR) for the 1989 tax year, examine the box entitled "Marginal Tax Rates - 1988." (Still effective as of January, 1989, the 1988 marginal tax rates are subject to change, so it is advisable to regularly enquire with Revenue Canada or your tax advisor as to the current MTRs in effect.) First, locate the bracket into which your 1989 income will fit. For example, if your taxable income is $25,000 in 1989 then your tax bracket will be between $10,707 and $27,500. At this income level, your 1989 marginal tax rate will be 25.92%.

MARGINAL TAX RATES — 1988
(Combined federal and Alberta rates)

	Tax Payable			
Taxable Income 1988	Basic Tax Payable for Tax Bracket		Marginal Tax Rate	Marginal Income
To $3,569	17.51%			
In excess of:				
$ 3,569	$ 625	+	30.12% on next	$ 7,138
10,707	2,775	+	25.92% on next	16,793
27,500	7,127	+	39.37% on next	10,969
38,469	11,445	+	40.34% on next	16,531
55,000	18,113	+	44.93% on remainder	

To calculate the tax owing, the table shows that on the first $10,707 of your taxable income, you will pay $2,775; on the remaining $14,293 ($25,000 minus $10,707), you will pay 25.92% or $3,704.75 ($14,293 x 25.92%).

Knowing your marginal tax rate allows you to accurately assess the tax impact of various financial strategies. For instance, at a marginal tax rate of 25.92%, a $500 child care expense which is tax deductible will reduce your income tax by $129.60 ($500 x 25.92%). An RRSP contribution of $3,000 will reduce your tax by $777.60 ($3,000 x 25.92%).

On the other hand, at a marginal tax rate of 25.92%, any additional income you earn will be taxed at a rate of $259.20 per $1,000. If your additional income is sufficient to move you to the next higher tax bracket, both your base tax and your marginal tax rate will increase.

Try to determine your marginal tax rate and take it into consideration when you are developing your financial strategies.

Deferring Income And Tax

Our progressive tax system works on the principle that the greater your taxable income, the higher your tax rate. Therefore, a reasonable tax-saving measure is to defer or set aside a portion of your current income to some future time when your tax rate may be lower. The strategies by which you can legally defer income also allow you to shelter from tax any income earned on your deferred income until the money is removed, in whole or in part, from the shelter. There are several ways to defer income. Details of the tax deferral strategies discussed below need careful research. For additional information, refer to the sources listed in "Tax Savings" on page 68.

Registered Retirement Savings Plans (RRSPs)

One of the most effective methods of deferring taxes and saving for retirement, RRSPs are based on contributions of earned income. Should 1988's proposed income tax changes relating to registered pension plans, deferred profit sharing plans (DPSPs) and RRSPs become legislation, the definition of earned income is just one aspect of retirement savings plans that will be affected.

New contribution limits to retirement savings plans were another consideration of the pension reform proposals, which, upon predicted legislation, were to have begun taking effect in 1989. However, that forecast start-up date has been delayed until 1990, with the result that the existing limits on deductible contributions, as noted in the Income Tax Act, will continue to apply for 1989. Annual contribution limits are defined by Revenue Canada. If legislated, all changes relating to retirement savings plans will be gradually phased in from 1990 to 1995.

Your RRSP contribution is and will continue to be tax-deductible. Its earnings are also sheltered from tax until they are withdrawn. Consider your RRSP carefully, and consult a tax advisor or conduct personal research regarding such influential factors as the appropriate and timely definitions of earned income, and contribution limits. A snap decision at the end of February is not recommended.

Spousal RRSP

A spousal RRSP is a legitimate method of splitting future income between spouses, as well as a second way to defer income. This registered savings plan has the added advantage of allowing the partnership's higher-income earner to transfer income to the spouse with the lower marginal tax rate, bearing in mind that it is the spouse's (lower) marginal rate **upon retirement** that is relevant. Such consideration of marginal tax rates could result in less tax owing when the money is withdrawn from the RRSP. Naturally, any forthcoming changes to RRSPs will also affect spousal plans.

Registered Retirement Income Funds (RRIFs) and Annuities

Neither RRIFs or annuities facilitate tax-deductible contributions, but they are effective methods of deferring income. Although they can be opened at any time, RRIFs and annuities are most often purchased at the time of mandatory termination of your RRSP: usually no later than the year in which the plan-holder turns 71. Further investment of your RRSP in retirement vehicles such as RRIFs or annuities is desirable, when compared with the "taxing" option of cashing in your RRSP and paying tax on the full amount at once.

While annuities provide a regular series of payments over a number of years and can be cashed in whole or in part, if permitted by the issuer, RRIFs offer several attractive options of their own. With a RRIF you are permitted to increase or reduce payments, take out lump sums and even cash in the entire amount (all avenues which, of course, are dependent on the type of investment you've chosen for your RRIF). There is a minimum annual withdrawal that must be made from a RRIF, but additional withdrawals can be made according to the investor's needs. One advantage of RRIFs is that they permit more control over capital than annuities and allow investments to continue to grow tax-free, taxable only upon withdrawal.

The decision of which investment to choose should only be made after careful consideration of the numerous financial factors involved in your personal retirement plan. Like RRSPs, RRIFs are available from the following sources: banks, trust companies, insurance companies, credit unions, investment dealers, mutual fund dealers and Alberta Treasury Branches. Annuities can be obtained at both trust and insurance companies.

Registered Education Savings Plans (RESPs)

Registered education savings plans enable a contributor (usually a parent, grandparent or guardian) to put money into a plan registered in the name of one or several children as beneficiaries. At one time only offered through two organizations in Canada, RESPs have recently been revised and made available through various financial institutions and investment dealers or stock brokers. Although the traditional RESP is somewhat more restrictive than the newer, more flexible versions, both require registration under the Income Tax Act. Contributions are not tax-deductible but earnings do accumulate tax-free until withdrawn.

Plan pay-out methods vary, but essentially the child receives a specified amount of money for each year of education, with the income being taxable to the child upon receipt. Should the beneficiary(ies) not attend a post-secondary institute, the exact state of your earnings depends on the type of RESP you hold.

Deferred Profit-Sharing Plans (DPSPs)

DPSPs are shelters into which an employer may defer a portion of an employee's salary, an arrangement which amounts to the employer, rather than the employee, putting up funds for the employee's retirement. In a DPSP, the money is allowed to accumulate tax-free for the benefit of all employees in the plan. Each beneficiary shares in the contributions and income, and is taxed when his funds are withdrawn. As noted under RRSPs, pending changes (1990-95) in contribution limits to registered pension plans will have an effect on DPSPs.

INVESTMENTS AND TAXES

There are three kinds of investment income: interest income, dividend income, and capital gains income. Each is taxed differently. When making personal financial decisions, be aware of how your earnings will be taxed.

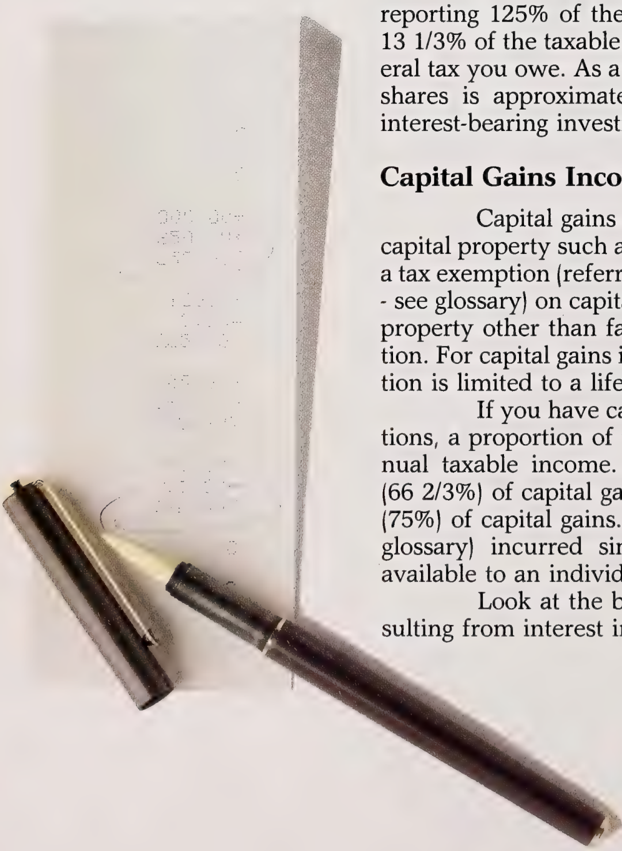
Interest Income

This is earned by putting your money in any debt investment such as interest-bearing accounts or bonds. Since 1988 and for subsequent taxation years, the $1,000 deduction for interest or dividend income from Canadian investments has been repealed, with the result that all interest income will be taxed at your marginal tax rate.

Dividend Income

Earned by common and preferred shareholders, this income category was also subject to the cancellation of the $1,000 interest or dividend income deduction. Dividend income from shares in Canadian companies will, however, continue to be eligible for a dividend tax credit.

To take advantage of the dividend tax credit, you "gross-up" by reporting 125% of the dividend amount as income. You are then allowed 13 1/3% of the taxable or "grossed-up" dividend as a credit towards the federal tax you owe. As a result, the after-tax yield of dividends from Canadian shares is approximately 1.25 times the after-tax yield of an equivalent interest-bearing investment.



Capital Gains Income

Capital gains or capital losses may result when you dispose of any capital property such as stocks, bonds, real estate and commodities. There is a tax exemption (referred to on tax return forms as "Capital gains deduction" - see glossary) on capital gains to a lifetime maximum of $100,000 for capital property other than farm property and shares in a small business corporation. For capital gains in these latter types of capital property, the tax exemption is limited to a lifetime maximum of $500,000.

If you have capital gains in excess of the maximum lifetime exemptions, a proportion of the capital gains will have to be included in your annual taxable income. In 1988 and 1989 the inclusion rate is two-thirds (66 2/3%) of capital gains; in 1990 the proportion will rise to three-quarters (75%) of capital gains. Also, cumulative net investment losses (CNILs - see glossary) incurred since 1987 will reduce the capital gains exemption available to an individual.

Look at the box on page 23. Compare the net after-tax income resulting from interest income, dividend income and capital gains.

IDEAS FOR TAX PLANNING

The following ideas can help you take advantage of tax benefits.

- Contribute regularly to your RRSP to defer income, reduce tax, and shelter from tax the income earned by your RRSP investment.
- Investigate investments with favored tax treatments but within acceptable levels of risk, such as dividends or capital gains.
- Since interest income is taxed at your marginal tax rate, you may wish to include interest-bearing investments in your RRSP. This will defer the tax on the interest income until you withdraw the money from the RRSP. Your marginal tax rate may be lower at that time.
- Since dividends from Canadian corporations and capital gains income benefit from special tax treatments (see page 22), hold these investments outside your RRSP. If you include these investments in your RRSP, you lose the special tax benefit, because all money in your RRSP is subject to tax in the same manner when withdrawn.

COMPARISON OF 1988 AFTER-TAX INCOMES

The after-tax yield of dividends from Canadian shares is approximately 1.25 times the after-tax yield of an equivalent interest-bearing investment. For example, take an Alberta investor with a taxable income of $30,000. This investor earns an additional $1,000 of interest income, $1,000 of dividend income on shares in Canadian companies and $1,000 of capital gains income. Compare the after-tax income of each investment. You may want to check the meaning of ''dividend tax credit'' in the section on page 22 entitled ''Dividend Income.''

	Interest	Dividend	Capital Gain
Income	$1,000.00	$1,000.00	$1,000.00
Dividend gross-up (25)	—	250.00	—
Tax exempt portion of gain (1/3)	(—)	(—)	(333.33)
Taxable income	$1,000.00	$1,250.00	$ 666.67
Federal tax (26%)	$ 260.00	$ 325.00	$ 173.33
Dividend tax credit (13 1/3% of taxable dividend)	(—)	(166.67)	(—)
Basic federal tax	260.00	158.33	173.33
Federal surtax (3% of basic federal tax)	7.80	4.75	5.20
Alberta provincial tax (46.5% of basic federal tax)	120.90	73.62	80.60
Alberta flat tax (1/2% of Alberta taxable income)	5.00	6.25	3.33
Total tax owing	$ 393.70	$ 242.95	$ 262.46
Net after-tax income	$ 606.30	$ 757.05	$ 737.54

KNOW YOURSELF AS AN INVESTOR

Before you shop in the financial marketplace you should review your personal and financial circumstances, and know your objectives. The answers to the questions you need to ask yourself will go a long way toward helping you make the correct financial decisions.

YOUR CIRCUMSTANCES

Is your income sufficient? Does it provide a comfortable lifestyle and regular savings? Don't take risks with money you need for daily living expenses or commit emergency funds to an investment you can't easily turn into cash.

Is your income secure? Does the future hold increases, bonuses, commissions, or promotions? Are you assured of a secure pension? Do you have disability and unemployment insurance? If your future income is not secure, your need for security in your investments is greater.

What about your family's security? The fundamental aspects of family protection, including adequate insurance coverage, a liquid emergency fund, and savings for retirement should be assured before you embark on an aggressive investment program.

How old are you? Many financial advisors suggest that investment risk be reduced as you approach retirement. A younger person has the earning years ahead to accumulate assets or to recover from financial mistakes. At 60, your assets must be secure to fund your retirement.

What about your dependents? The more you have and the younger they are, the less risk you can afford.

Do you have the time or interest to manage a complex portfolio? Would you be more comfortable in simple, less volatile investments which require little of your time or attention?

Are you conservative or speculative with your money? Both these traits can be satisfied by dividing your savings into two funds: conservative and speculative. Don't put so much into the speculative fund that it keeps you awake at night. Your age and other personal factors dictate how much speculation you can afford. You might select low risk alternatives for your RRSP and assume some risk with funds not earmarked for retirement.

Your Investment Objectives

What are you expecting when you put your savings to work? Determine which of the following objectives are most important to you.

- Safety: Do you want your capital to be safe?
- Security of Income: Do you want steady, assured income from interest or dividends?
- Growth: Do you want your capital to increase in value over time? For example, real estate you own may increase in value over time. This is growth of your investment.
- Liquidity: Do you want an investment easily converted to cash if necessary?
- Term: Do you want to commit your savings for a short or a long term?
- Cost: Are you willing to pay fees or commissions, or any additional costs such as insurance, tax, or storage charges associated with the purchase or sale of an investment? For example, a real estate investment usually incurs extra costs.
- Convenience: Do you want a financial alternative that requires little time or attention once selected? Or do you have the time, interest and expertise to manage a complex portfolio?
- Tax Objectives: Do you want to achieve certain tax objectives, such as deferring income, earning a tax-free capital gain, or earning dividends which benefit from the dividend tax credit (see glossary)?

Any alternative you consider should be measured in terms of your goals and objectives. The perfect investment doesn't exist, but some will come closer than others to satisfying your objectives.

Keep your objectives in mind when you read about various investment alternatives in Part Two of this book.

PART TWO: EXPLORE THE ALTERNATIVES

Part one of **2000 A.D.** presented information you need before putting your money to work. It's time now to look at the full range of investments available as outlined in the pyramid on page 14.

Part Two describes the alternatives. Examining their characteristics should help you judge whether an investment is right for you and whether it will move you closer to one or more of your goals.

The term ''investment'' is used to include anything into which you put your money to make it earn a profit. Using this definition, all interest-bearing accounts, such as savings and savings/chequing accounts, are investments. Most people use these accounts for short-term accumulation of savings. The safety of your money in an interest-bearing account depends on where you put it and the size of your account. Refer to the section ''Keep Your Savings Safe'' on page 11.

While interest-bearing accounts allow the withdrawal of funds on demand, they pay a relatively low rate of interest. For this reason, many people are motivated to explore higher-yield alternatives although they may be more risky. In this book, investment alternatives are discussed under the headings of debt investments, equity investments, mutual funds, options and commodity futures contracts, real estate, and gold and collectibles.

Let's start by looking at investment characteristics, which must be understood if you are to invest safely.

Investment Characteristics

Every investment can be examined for its risk, return, liquidity and term. Clarify the meaning of these words and their relationships to each other:

- Risk: Financial uncertainty; the possibility of losing invested funds, in whole or in part, due to a decline in the value of the investment.
- Return or Yield: The income from an investment, expressed as a percentage of the investment's current market value.
- Liquidity: The ease with which an investment can be converted to cash without a significant penalty.
- Term: The length of time until an investment reaches maturity.

Certain predictable relationships generally exist between the above characteristics:

- The higher the potential return, the greater the risk. The lower the potential return, the lower the risk.
- The greater the liquidity, the lower the return. The most liquid asset is cash, but holding cash to maintain perfect liquidity gives no return.
- The shorter the term, the lower the return. The longer the term, the higher the return.
- The greater the liquidity, the lower the risk. The easier it is to cash in an investment, the less risk there is of losing money.
- The longer the term, the less the liquidity. A long-term investment may be locked in or a penalty charged for cashing in early.

Because no investment offers the perfect opportunity for the highest return, full liquidity, and no risk, you must keep your goals and investment objectives clearly in mind, examine what's available, then make an informed choice. Your choice has two significant elements: First, you need to decide which type of investment is most appropriate to your financial situation, and secondly, with whom to entrust your money. Your decisions will require a clear understanding of any risk you may be taking.

DEBT INVESTMENTS

Debt investments earn interest. You lend your money to a borrower who pays you interest for the use of the funds over a fixed term, and repays the principal (face value) at maturity. A debt investment provides interest income, but offers no possibility for growth of your invested money: your capital. **Although many debt investments such as term deposits or savings accounts are low risk and insured, some are not.**

The term to maturity of your debt investment is an important consideration and should be chosen to reflect:

- Your need for the money in the future
- The liquidity of your other assets
- The short- and long-term interest rates at the time you make the investment
- The predicted future direction of interest rates

Debt investments fall into two broad categories: 1) Non-traded debt investments, such as term deposits or Canada Savings Bonds, are held by the original investor until redeemed by the borrower (such as financial institutions or government). They cannot be sold. 2) Traded debt investments can be sold at any time to another investor through the securities market.

DIVERSIFY YOUR DEBT INVESTMENTS

Interest rates fluctuate due to worldwide economic conditions, government fiscal and monetary policy, and currency interactions. Predicting the movement of interest rates is difficult even for experts. To protect yourself against uncertain interest rates, diversify your debt investments. A mixture of short- and long-term investments provides flexibility in case interest rates rise. The mixture method also allows you to lock in a portion of your money at a reasonable rate of return in the event that interest rates fall.

NON-TRADED DEBT INVESTMENTS

Non-traded debt investments generally include demand accounts, term deposits, guaranteed investment certificates (GICs), Canada Savings Bonds, Alberta Capital Bonds, money market funds, mortgages, annuities and investment contracts. Check the glossary for the definition of each. Their characteristics are compared in the table on the following page entitled "Compare Non-Traded Debt Investments."

Advantages and Limitations

Most non-traded debt investments, except demand accounts, can be selected for a variety of fixed-term periods. Throughout the term, the investment maintains a constant value and returns a fixed and pre-determined rate of interest.

Most non-traded debt investments can be redeemed only by the issuer or borrower. As an investor or lender, you cannot sell them to a third person. However, in many instances they may be used as security against a loan. Some must be held to maturity while others can be redeemed early but will suffer an interest penalty; that is, the interest will be reduced because you cash in your investment before maturity.

Annuities are different. Their contract terms are based on age and life span. They are not liquid and they do not qualify for deposit insurance. The security of your money in an annuity depends on the assets of the trust company or life insurance company that issues it. **Selecting an annuity is complicated, and is made more critical by the fact that once you make your purchase you cannot change any terms of the contract. You may want to seek professional help before deciding on an annuity.**

Although classified as non-traded debt investments, money market funds and mortgages also have their own unique characteristics. They are discussed in the "Mutual Funds" and "Real Estate" sections on pages 39 and 45 respectively.

Note: The conditions of investment as illustrated in this table are generally representative of those found at the various financial institutions to the 1988 year-end. However, such conditions do vary among institutions and over time. Therefore, the exact conditions of any investment should be carefully checked with the issuer at the time of consideration.

COMPARE NON-TRADED DEBT INVESTMENTS

Investment	Issuer	Amount	Term	Liquidity	Risk *
savings accounts savings/chequing accounts	financial institutions	$1.00 & up	not applicable	withdrawal on demand; notice may be required for larger amounts	guarantees vary among institutions; see "Protection: Where You Put Your Savings," page 11
term deposits	banks	$1,000 & up	30 days to 5 years	redeemable with interest penalty	CDIC insures each depositor up to $60,000 in each member institution for term deposits of 5 years or less
	trust companies	$5,000 & up	30 days to 1 year		
		$500 & up	1 to 5 years	locked in to maturity	
	credit unions	$1,000 & up	30 days to 1 year	redeemable at any time with possible interest penalty	guaranteed by the Credit Union Stabilization Corporation which is backed by the Province of Alberta
		$500 & up	1 to 5 years		
	treasury branches	$1,000 & up	30 days to 1 year	redeemable at any time with possible interest penalty	unconditionally guaranteed by the Province of Alberta
		$500 & up	1 to 5 years		
guaranteed investment certificates	treasury branches	$1,000 & up	6 months to 5 years	locked in to maturity	unconditionally guaranteed by the Province of Alberta
	trust companies	$1,000 & up	1 to 5 years		CDIC insures each depositor up to $60,000 in each member institution for term deposits of 5 years or less
	credit unions	$1,000 & up	30 days to 1 year less a day		guaranteed by the Credit Union Stabilization Corporation which is backed by the Province of Alberta
			1 to 5 years		
	banks	$1,000 & up	1 to 5 years		CDIC insures each depositor up to $60,000 in each member institution for term deposits of 5 years or less
		$5,000 & up	30 days to 1 year less a day		
Canada Savings Bonds	Government of Canada	$100 to $10,000 in varying denominations; annual limits on amounts	10 years (term of each issue is determined by government)	redeemable anytime; interest penalty if redeemed prior to February 1st immediately following issue	direct obligation of the Government of Canada
Alberta Capital Bonds	financial institutions (Province of Alberta)	$100 & up to a maximum of $35,000	3 years	redeemable every 6 months	direct obligation of the Province of Alberta
Investment Contracts	financial institutions (investment contract companies)	$1,000 & up	9 years; interest rate adjusted every 3 years	redeemable at any time with possible interest penalty	guaranteed and secured by assets of issuer, as well as a Canadian depository
money market funds	mutual fund companies	$500 & up	no fixed term	redeemable any time	no guarantees; degree of risk depends on financial stability of issuer and the quality of the investments in the fund

CONTINUED NEXT PAGE

COMPARE NON-TRADED DEBT INVESTMENTS (CONTINUED)

Investment	Issuer	Amount	Term	Liquidity	Risk*
mortgages	private property owners	$1,000 & up	generally 6 months to 5 years	generally not redeemed by issuer before maturity date; if buyer can be found, mortgage can be sold at a premium or discount depending on prevailing interest rates	no guarantee; degree of risk depends on value of property, real estate market and financial stability of issuer
fixed term annuities to age 90	trust companies	$2,000 & up	to age 90 from age over 60 when purchased, OR minimum 3 year term (terms depend on issuing institution)	no liquidity during life of annuitant; if death occurs before age 90, balance of investment paid to beneficiary	no CDIC coverage if term exceeds 5 years; secured by assets of trust company
life annuities	life insurance companies	$2,000 & up	life of annuitant and/or to death of surviving spouse and/or guaranteed for a no. of years	no liquidity; fund is terminated at end of contractual term	no CDIC coverage; secured by assets of issuing life insurance company

* For a complete discussion of investment risk, review the section ''Keep Your Savings Safe,'' on page 11.

TRADED DEBT INVESTMENTS

Traded debt investments include bonds, debentures and treasury bills. Check the glossary for the definition of each. Their characteristics are compared on page 33 in the table entitled ''Compare Trade Debt Investments.''

Refer to page 71 for a guide to reading bond quotations published weekly in the financial press.

Advantages and Limitations

Traded debt investments can be purchased for a variety of fixed-term periods depending upon the specific investment. This allows you to structure your investments with maturity dates that are consistent with your future need for cash.

The face value of a traded debt investment is paid at maturity by the issuer. Traded debt investments pay fixed interest income each year leading up to maturity through coupons which are detached from the original bond or debenture. Some traded debt investments can be bought at a discount, in which case you are assured interest income as well as capital gain if you hold them to maturity.

It is important to understand that these investments will only be redeemed at full face value by the issuer on the maturity date. Despite this, traded debt investments are generally fully liquid because you can sell them to another investor through your stockbroker on any business day at the prevailing market price. The selling price may not be what you originally paid. It is dependent on market value fluctuations. Read "Market Value Fluctuations" below.

If you are forced to sell a traded debt investment when interest rates are high and the market value of your investment has dropped, you will face a capital loss.

MARKET VALUE FLUCTUATIONS

The market value of traded bonds or debentures moves in the opposite direction from interest rates. For example, on January 1, 1980, a Government of Canada Bond was issued with a face value of $1,000, an interest coupon of 12%, and a maturity date of January 1, 1990. If you had bought this bond at issue and you held it to maturity, you would have received interest of $120 yearly paid on a semi-annual basis. On January 1, 1990 you could have redeemed the bond for $1,000.

In 1982, however, interest rates soared to 17%. If you had decided then to sell the bond and invest the money elsewhere, you would have discovered the market value of the bond had dropped to $730. Because general interest rates in the economy had risen and your bond had a fixed coupon of 12%, another investor would have paid only $730 for your bond at that time.

The market value of bonds automatically adjusts to yield approximately the interest rate prevailing in the general economy. In 1982, when the market value of your bond dropped to $730, the interest payment of $120 per year would have given an effective yield of 17%, the prevailing rate at the time.

Conversely, if you held the bond to April 1985, when prevailing interest rates were 11.5%, you would have discovered that the market value of the bond was then $1,043. Again, the market value of the bond adjusted to provide a yield equal to the interest rates in the general economy.

For a more detailed explanation of market value fluctuations, consult the resources listed in Part Four under "Investing" on page 65.

Stripped Bonds

These are popular traded debt investments which deserve special mention. A stripped bond is a long-term bond or debenture, with a series of semi-annual interest coupons attached, which is purchased by an investment dealer. The bond is then separated from its interest coupons and sold as a bond residual for its current discounted value, which can be quite substantial. For example, a $1,000 stripped bond with a 10-year term may be sold for $386 to generate a yield of 10%. The coupons are sold separately, being discounted to current value based on the dates the interest coupons mature. Coupons are available with terms of 6 months to 25 years.

Stripped bonds and coupons pay no income while you hold them but pay a guaranteed compound return if held to maturity. They can be traded at any time: their market value fluctuating with prevailing interest rates. The fluctuating interest rates and lack of an established secondary market are perceived as the primary disadvantages of stripped bonds. Vendors of stripped bonds are required to provide investors with an information statement disclosing the investment attributes of stripped bonds.

The safety of these investments depends on the quality of the original bond. Most stripped bonds and the coupons, however, are high quality Government of Canada or provincial issues. Stripped bonds and coupons are suited to self-administered RRSPs (see glossary) because accumulated earnings are sheltered from tax until the RRSP is collapsed. **Before selecting these debt investments, research them thoroughly, understand their advantages and risks, and clarify your investment goals.**

Convertible Debentures

This popular traded debt investment also deserves special mention. Convertible debentures yield fixed interest and are issued by corporations to raise capital. They are secured by the general assets of the issuing companies. The convertible feature makes debentures more attractive to investors by allowing the exchange of debentures for common shares of the same company at a pre-determined price at some future date. Interest payments are made semi-annually until the debentures mature or are converted.

Convertible debentures are fully liquid, their market values fluctuating with prevailing interest rates and with the value of the common shares of the same company. Their safety depends on the stability of the issuer. Convertible debentures are a debt investment earning regular interest income. The conversion feature offers the potential for capital gain. Once you convert a debenture to common shares, you have an equity investment.

COMPARE TRADED DEBT INVESTMENTS

Investment	Issuer	Amount/Term	Liquidity	Risk
treasury bills	Government of Canada	$5,000 minimum $1,000 multiples 30 to 364 days	fully liquid but price determined by the market	direct obligation of Government of Canada
Government of Canada bonds	Government of Canada	$1,000 multiples 1 to 30 years	fully liquid but price determined by the market	direct obligation of Government of Canada
provincial bonds	provincial governments	$1,000 multiples 1 to 30 years	fully liquid but price determined by the market	depends on financial stability of provincial governments
NHA (National Housing Act) mortgage-backed securities (see glossary)	crown corporation — Canada Mortgage and Housing Corporation (CMHC)	$5,000 multiples 5-year term certificates	fully liquid but price determined by the market	guaranteed by Canada Mortgage and Housing Corporation
bonds or debentures of crown corporations (e.g., Ontario Hydro, A.G.T., or B.C.T.)	crown corporations	$1,000 multiples 1 to 30 years	fully liquid but price determined by the market	depends on financial stability of crown corporation and provincial government
corporate bonds and debentures	corporations	$1,000 multiples 1 to 30 years	fully liquid but price determined by the market	rated AAA to B based on perceptions of the company's ability to meet its future obligations
municipal debentures	municipal governments	$1,000 multiples 1 to 30 years	fully liquid but price determined by the market	depends on stability of municipal government

EQUITY INVESTMENTS

SHARES — ACTIONS
1659

With an equity investment, you share in the ownership of a business, property, or commodity, and you participate in both the risk and rewards of ownership. The risk is the possibility that the value of your investment may drop or the return may be lower than anticipated. The possible rewards are twofold: 1) The underlying value of your investment may increase (growth of capital), thereby allowing you to realize a capital gain. 2) The business in which you invest may operate profitably and distribute regular dividends (income) to you as a shareholder.

Many of the benefits of equity investments result from their tax implications. The tax aspects of investing were discussed in detail in the section "Become Tax Wise." Following are the tax advantages of three types of equity investments.

- Income received in the form of dividends from Canadian corporations is eligible for the dividend tax credit, which is explained in the glossary.
- Capital gains are free of tax to a lifetime maximum of $100,000 for capital property other than farm property, and shares in a small business corporation. Capital gains in these latter areas are tax exempt to a lifetime maximum of $500,000.
- The Alberta Stock Savings Plan (ASSP - see glossary) offers tax credits to Alberta individual taxpayers, which are applied to Alberta tax payable. The size of tax credit is determined by the size of the company in which the investment is made and consequently, by the risk involved in the investment. Additional information on the ASSP is available from your investment advisor or broker, Alberta Treasury - Tax Information Service (427-0712), or Alberta Economic Development and Trade - Business Finance Development Branch (422-5025). Revenue Canada also distributes a brochure entitled "Alberta Stock Savings Plan."

While equity investments have distinct tax advantages over debt investments, they are generally more risky and, therefore, must be considered carefully. The equity investments to be explored here include common shares, preferred shares, warrants and rights.

Refer to page 71 for a guide to reading stock market quotations published daily in the financial press.

COMMON SHARES

Of all equity investments, common shares are the most easily bought, offer the broadest selection, and have the most ready market for trading. A company issues them to raise money, or equity capital, to finance the business. Every shareholder owns a fraction of the company. If five million shares are issued and you purchase 500, you own 500/5,000,000 or one ten-thousandth (1/10,000) of the company. This ownership entitles you to 1/10,000 of any dividends issued.

Advantages and Limitations

A major advantage of owning shares in a public company is that, while you participate in its growth and earnings, your liability is limited to the purchase price of your shares. None of your other assets are at risk.

Another advantage is the liquidity of most common shares. Shares in a company which trades on any major stock exchange can generally be bought or sold on any business day during trading hours. If you wish to sell your shares, you usually need only phone your broker and order the sale.

Most common shareholders are entitled to one vote per share, to attend company meetings, to elect the directors of the company, and to receive regular financial reports. Some companies also issue classes of common shares which do not have voting rights, or which offer restricted or multiple voting.

A limitation of common shares is that a company is not required to pay dividends to common shareholders. Frequently, a company retains its profits for re-investment in the company rather than for distribution as dividends to common shareholders. This course of action is more common among young, aggressive companies.

The common shareholder also ranks last if the company is liquidated. The creditors and preferred shareholders have prior claim to any assets of the company. With common shares you also face the risk that your share value may drop.

The price of common shares tends to fluctuate daily due to investor demand. These daily price movements are usually small. However, share prices can go into a cyclical upturn or downturn of some duration — several weeks or months, or even permanently — if the company or industry is showing significant profits or losses. If you invest in common shares, be prepared for price movements, and expect to see the value of your investment rise and fall.

Before investing in common shares, try to develop an overall game plan. Are you investing for the long term or are you a trader, buying and selling shares frequently on small price fluctuations? What will cause you to sell your shares — losses of 20%, gains of 50%, a wish to invest elsewhere, a general economic downturn? Having a game plan makes your investing less random and your decisions easier.

Categories of Common Shares

Common shares are often categorized according to their quality.

Blue-chip shares: These are shares in companies with proven records of good management, steady earnings for many years and strong balance sheets. Many Canadian blue-chip companies have had a uninterrupted record of dividend payments to their common shareholders since the early 1900s.

Growth shares: These are shares in young, aggressive companies. These companies frequently direct most of their profits back into the company to develop new products or expand the business.

Penny shares: These are shares in new, unproven companies which have no management or earning history. They are highly speculative investments because you have no basis on which to judge the shares. Your investment may be pure risk. If you're tempted to gamble with penny shares, use only money you can afford to lose and buy only after you have developed a portfolio of quality investments selected to contribute to the achievement of your goals. Companies offering new share issues must provide a prospectus. Before you invest, study it carefully.

Warrants and Rights

Warrants and rights are two means by which investors may acquire common shares without paying commission. However, relatively few common shares have warrants or rights available.

Warrants: These allow purchase of a company's shares at a specified price until a specified date, usually several years hence, after which the warrants expire and are worthless. Warrants are attached to securities — such as bonds, debentures or shares — when they are first issued. The intent is to make them more attractive to investors. Immediately after issue, the warrants can be detached from the security and traded on their own. The price of a warrant fluctuates with the price of the common share.

Rights: These are similar to warrants but expire in a much shorter time. A right is issued to existing shareholders to allow them to acquire additional common shares at slightly below the market price. Rights can be traded on their own. They are usually worth only a few cents, and expire within four to six weeks of issue. Once expired, rights are worthless.

STOCK SPLITS

Often when the price of a company's common shares has risen substantially, the board of directors may decide to subdivide each share. This reduces the price of shares, making them more attractive to investors. Existing shareholders are issued additional shares according to their entitlement. A well-known example is that of the Alberta Energy Company's common shares. These were first issued in 1976 at $10 per share. In 1980, when they had risen to $54 per share, the board of directors split the shares three for one. Existing shareholders were issued two additional shares for each one they owned. Each of the newly divided shares had a market value of $18. Since then, these shares have traded both above and below the 1980 market value.

Preferred Shares

Preferred shares are complex equity investments. They have characteristics of both bonds and common shares. Like bonds, preferred shares are an income investment because dividends are generally paid to preferred shareholders every three months at a pre-determined, fixed rate. Like common shares, preferred shares provide part ownership of a company, entitling the shareholders to a share of the company's assets and earnings.

Advantages and Limitations

Preferred shares are a less risky investment than common shares. First, the price of preferred shares is usually not as volatile as the price of common shares. Second, preferred shares are issued with a par value or stated value. If a company were liquidated, preferred shareholders would be entitled to claim this amount against the company's assets before the common shareholders could be paid anything. Common shares are almost always issued with no par value.

While preferred shares offer several security features not found with common shares, they are not entirely risk-free. In some unfortunate cases where a company takes a turn for the worse, preferred shareholders can find themselves as out-of-pocket and out-of-luck as their common shareholder counterparts.

As an ounce of prevention, prospective investors should consult their broker to obtain the "bond rating" of the particular security they're interested in, including preferred shares (see the "Bond Rating Services" box on page 52).

Preferred shares are issued with a stated fixed dividend. Paying regular dividends to preferred shareholders is a company obligation. Payment of dividends to common shareholders is not. However, a company will cease to make dividend payments if it is financially unable to do so. It is important, therefore, to know whether your preferred shares are cumulative or non-cumulative. This terminology is explained in the next section, "Attachments to Preferred Shares."

Preferred shares, with their relatively high dividends, benefit from the dividend tax credit granted to dividends from Canadian corporations. See "Dividend Income" on page 22.

One limitation for preferred shareholders is that they have no voting rights. However, if a specified number of dividend payments is missed, preferred shareholders can usually elect one or more directors to the board to protect their interest in the company. Another limitation is that preferred shareholders do not participate in the growth of the company. They are entitled only to a fixed dividend from the company's earnings. A final limitation is the chance that the value of the shares will drop.

Attachments to Preferred Shares

Choosing among preferred shares is complicated by the variety of special attachments which may be added to them to increase their attractiveness to investors. Preferred shares are described, in terms of their special attachments, as being:

Cumulative: Dividends which are not paid on these shares accumulate and must be paid to preferred shareholders before dividends can be paid to common shareholders. Shares not specified as cumulative are non-cumulative; that is, missed dividends may not be paid at a later date.

Redeemable or "Callable": After a specified date, these can be recalled by the company at a fixed price, usually the original purchase price.

Retractable: Shareholders can submit these to the company for redemption at a specified date and price. This feature ensures that you can get your money out of the investment at that date. Retraction usually occurs after five years and at the original purchase price.

Variable Rate: The dividend rate on these is tied to prevailing interest rates. If rates go up, the dividend rate increases. But there is a stated minimum rate below which dividends will not fall. This feature creates an investment that adjusts to inflation.

Convertible: After a certain date, shareholders can convert these to common shares of the same company at a specified conversion price. They have distinct advantages. Before you convert, the shares will earn you steady dividend income. Then, by converting them to common shares, you have the opportunity to participate in the company's growth.

Mutual Funds

Mutual funds can be an equity investment, a debt investment including mortgages, or a combination of both. A mutual fund is a large, diversified portfolio of securities administered through a limited company or trust, and made possible by pooling the money of thousands of investors. A mutual fund is professionally managed, thereby relieving the investor of any investment decisions other than what fund to invest in. However, deciding which mutual fund to choose is not easy. Some are highly speculative, others are very conservative.

Most mutual funds do not trade on stock exchanges. They can be bought or sold through the company administering the fund, stockbrokers, investment fund dealers, through some Canadian banks, most Canadian trust companies and life insurance companies.

You can choose from over 450 Canadian mutual funds. However, before making an investment in one, learn all you can about mutual funds as an investment alternative. Don't rely on a salesperson's opinions and advice. Investigate a fund thoroughly yourself.

A mutual fund investment is appealing for several reasons: No investment experience is required, few demands are made on your time in managing your investment, and you have a very diversified and liquid investment.

There are two forms of mutual funds: closed-end and open-end. Closed-end funds issue only a limited number of shares. These are usually traded on stock exchanges, and can be bought or sold through a stockbroker.

Open-end funds continually create new units as investors demand them, and redeem outstanding units as investors sell them. Consequently, the total asset value of an open-end fund is constantly changing.

How Open-End Funds Work

Most mutual funds in Canada are open-end, and you invest in one by purchasing units or shares. The unit value, called the net asset value or NAV, is usually established at the end of every business day, although some funds calculate their NAV weekly or monthly. Unit values of the most common funds are listed regularly in many daily newspapers.

When purchasing units of mutual funds, commissions and fees vary. A number of funds, called load funds, charge a commission of up to 9%. This is added to the price of the units. Generally, no commission is charged on earnings that are re-invested, or on the sale of units. Others, called no-load funds, are also available. With these, no sales commission is charged for purchase. There may, however, be a fee for disposing of your units. All mutual funds pay annual operating expenses, administration fees to fund managers, and brokerage fees for sales and acquisitions. These expenses are paid from the revenue of the fund and influence the yield to investors. A fund's prospectus outlines these costs.

Usually, dollars in even amounts are invested in mutual funds regardless of the unit value. Although you may be required initially to invest a minimum of $500 or $1,000, you are frequently allowed additional investments in smaller amounts.

This example illustrates how a purchase works. If you invest $2,000 in a fund with a unit value of $22 and on which a 7% sales commission is charged, you will buy 84.54 units at a cost of $1,859.88. You will pay $140.12 commission, or $1.66 per unit.

To assist small investors, many mutual funds offer contractual plans whereby units can be purchased by a series of monthly payments. Frequently, a contract of several years' duration is required. Before taking up such a plan, check the contract. How much flexibility is permitted? What penalties are charged for default of a payment or for early termination? Do not undertake a contractual fund investment unless you are confident you can continue your monthly payments for many years. A default or early termination could be very costly.

Finally, a mutual fund could cease operation. If this occurred, non-issue shareholders would get paid the NAV at the time of liquidation.

TYPES OF FUNDS

Before deciding to invest in a mutual fund, clarify your own investment objectives. Do you wish to emphasize safety, income, growth? Maybe you seek diversity through a mutual fund which invests in foreign securities and currencies.

Mutual funds may be made up of equity investments, debt investments, real estate investments, or some combination of the three. Each type of fund is identified by its investment portfolio and its objectives. Thus, you can choose one to match your own investment objectives. Compare several types of mutual funds and their investment portfolios and objectives in the table below. Decide which type best suits your investment objectives, then carefully review the available funds of that type.

Mutual funds can also be identified by the type of investment income they will earn: interest, dividends, capital gains, or a combination of the three. Further, funds are characterized as having high, intermediate, or low variability. Variability refers to the fluctuation in a fund's rate of return from year to year. For instance, a high variability fund might have a 22% annual rate of return during an economic upturn, but experience a 4% rate of return during an economic downturn. A low variability fund will experience little fluctuation in the rate of return from year to year.

COMPARE MUTUAL FUNDS

Type of Fund	Investment Portfolio	Investment Objectives
growth funds	common shares with growth potential	capital gains
dividend income funds	preferred shares or convertible preferred shares	dividend income, some capital gains
balanced funds	high quality common and preferred shares, short and medium maturity bonds	dividend income, interest income, capital gains
international funds	shares and bonds in foreign currencies	capital gains, currency gains, international diversification
fixed income funds	government bonds, high quality corporate bonds and debentures, mortgages	interest income
money market funds	treasury bills, short term government bonds, other short-term financial instruments	interest income, liquidity
real estate funds	income-producing industrial and commercial properties	capital gains, rental income
mortgage funds	mortgages	interest income

Family Of Funds

A recent development offers additional flexibility to investors. Called a family of funds, this is a group of funds of varying types administered by the same management firm. Your investment may be transferred among the funds within a family without additional fees. In order to make an informed investment decision, it is advisable to obtain from your broker a copy of the simplified prospectus of the funds to which your investment is transferred. You might invest initially in a growth fund, but closer to your retirement have the fund reinvested in an income fund. Thus, you have the opportunity for capital gains in the growth fund and, later, for regular monthly income from the more secure income fund.

Assessing Mutual Funds

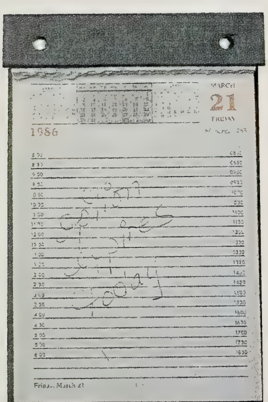
Ask the salesperson you're dealing with for a prospectus (or a simplified prospectus), an annual information form, and financial statements of the mutual funds you are considering. Study them carefully. Note and compare management fees, operating costs, commissions, investment portfolios, and company histories. Compare each fund's performance record over one year, five years, and ten years. A fund showing a consistent rate of return through market upswings and downturns generally indicates sound management.

Two newspapers, the weekly *Financial Times of Canada* and the daily *Financial Post*, publish reviews of Canadian mutual funds. The *Financial Times* publishes a monthly review where funds are ranked according to their investment category and grouped as to their eligibility for inclusion in RRSPs. The *Financial Times* also publishes a "Mutual Fund Sourcebook," which profiles the Canadian mutual fund market and comprises supplements distributed quarterly. The *Financial Post* publishes a monthly survey of funds as well as a comprehensive daily listing. Study a fund review carefully before making a long-term commitment to a mutual fund investment. Even professional money managers are not infallible, and risks are involved. Refer to page 72 to learn how to read and understand mutual fund surveys.

Options And Commodity Futures Contracts

Options and commodity futures contracts are speculative and risky. They are also highly leveraged, in that borrowed money is generally used to cover a contract. Before you invest in them, you need extensive market knowledge and trading experience, money you can afford to risk, and the time and interest to watch the market closely — hourly if necessary.

Options and commodity futures contracts are complex investments involving sophisticated trading strategies. Therefore, find a stockbroker or commodity or currency trader who is experienced and reputable because you will probably need constant advice. Also, consult some of the resources listed in Part Four of this book for more detailed information.



Options

In this book, the term "option" means "listed option" — that is, an option traded on a stock exchange. An option is a contract which gives you the right to buy (a call option) or the right to sell (a put option) a specific quantity, usually 100 shares, of a certain security at a fixed price within a stated period of time. The longest period available is nine months. Once options expire, they are worthless.

Options apply to a variety of listed common stock, such as those associated with large Canadian corporations. To trade option contracts, you must sign a special option-trading agreement with your broker, and you must read and sign a disclosure statement which acknowledges that you are fully aware of the risks involved.

Commodity Futures Contracts

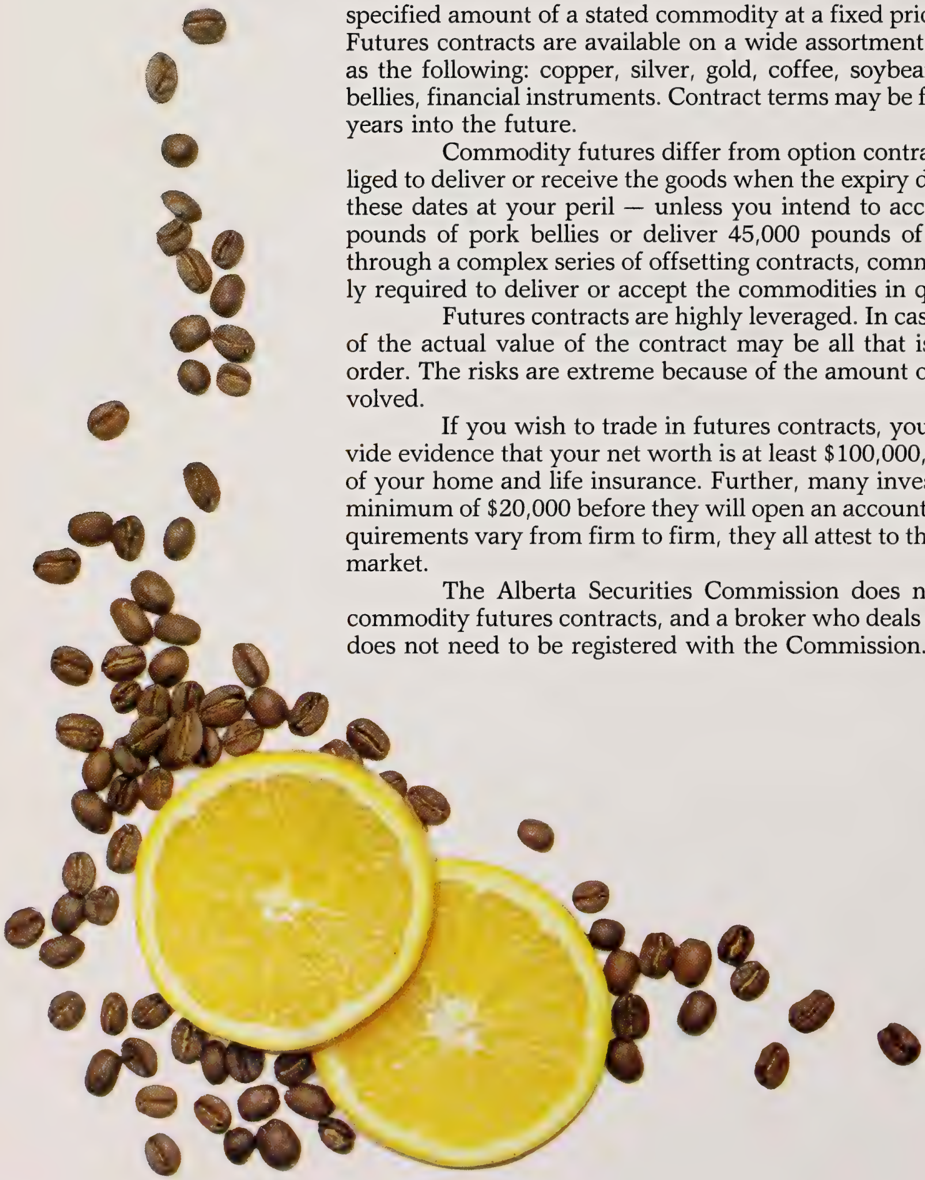
A commodity futures contract is an agreement to buy and receive, or to sell and deliver, a specified amount of a stated commodity at a fixed price at some future date. Futures contracts are available on a wide assortment of commodities, such as the following: copper, silver, gold, coffee, soybeans, orange juice, pork bellies, financial instruments. Contract terms may be from one month to two years into the future.

Commodity futures differ from option contracts in that you are obliged to deliver or receive the goods when the expiry day arrives. You ignore these dates at your peril — unless you intend to accept delivery of 38,000 pounds of pork bellies or deliver 45,000 pounds of orange juice! In fact, through a complex series of offsetting contracts, commodity traders are rarely required to deliver or accept the commodities in question.

Futures contracts are highly leveraged. In cash terms, as little as 5% of the actual value of the contract may be all that is required to place an order. The risks are extreme because of the amount of borrowed money involved.

If you wish to trade in futures contracts, you may be asked to provide evidence that your net worth is at least $100,000, exclusive of the value of your home and life insurance. Further, many investment firms require a minimum of $20,000 before they will open an account. While the specific requirements vary from firm to firm, they all attest to the risks you face in this market.

The Alberta Securities Commission does not regulate trading in commodity futures contracts, and a broker who deals only in these contracts does not need to be registered with the Commission.



Real Estate

Real estate is the largest single investment most Canadians ever make, with the family home representing a major asset. Surveys have also revealed that other types of real estate investment, exclusive of personal residence, are popular financial alternatives for Canadians.

There are two ways that you can invest in real estate: 1) You can invest in mortgages by lending someone the money to buy property. In this case, you've made a debt investment. 2) You can invest in real estate by buying property yourself. Here, you have an equity investment.

Real Estate As A Debt Investment

With an investment in mortgages, you participate in the real estate market as a holder of a debt investment. Your investment earns interest.

The safer investment is a first mortgage. When you are the holder of a first mortgage on a property, you have first claim against the property if the mortgage is not paid. As the holder of a second mortgage, your claim against the property can only be enforced after the first mortgage has been paid. Obviously, then, a second mortgage is a more risky investment.

Provincially registered mortgage brokers, and a limited number of trust companies can arrange mortgage investments for the private investor. The only security for a mortgage investment is the value of the property involved. Before making a mortgage investment, check the reliability of the borrower, the quality of the property, and the amount of equity the owner has in it.

An indirect way of making a mortgage investment is through a mutual fund invested exclusively in mortgages. Do not confuse a mortgage mutual fund, available mainly from trust companies, with private mortgage investments offered by mortgage brokers.

Relatively new to Canada, Canada Mortgage and Housing Corporation's National Housing Act (NHA) Mortgage-Back Securities (NHA MBSs - as noted in the **Traded Debt Investment** table on page 33 and in the glossary) are another form of real estate as a debt investment.

Advantages and Limitations

A debt investment in real estate mortgages can provide an interest yield that is generally better than the interest offered on term deposits or Canada Savings Bonds.

On the other hand, you can lose all or part of your investment if the mortgage payments are defaulted and a foreclosure action is undertaken against the property.

Generally, it is not easy to get your money out of a mortgage investment until the term of the mortgage expires. Sometimes, another investor can be found to purchase the mortgage from you. Whether the investor buys the mortgage at a discount or premium depends on market conditions relative to the terms of the mortgage investment.

Both MBSs and mortgage mutual funds offer advantages over individual mortgage investments in terms of liquidity, and both are also reasonable with respect to fees or commissions, an important consideration of real estate investment.

Legal fees and other costs associated with the registration and discharge of a mortgage can be high. If your mortgage investment goes into default, you will require legal assistance to recover your money. While expenses associated with your mortgage investment are tax-deductible, the interest income earned is fully taxed.

As the holder of a mortgage investment, you may have to become personally involved in the collection of overdue payments. Finally, since there is no regulation of the mortgage investment market, other than the registration of mortgage brokers, there are no guarantees for the safety of your money. An investment in mortgages is risky.

An investment in mortgage mutual funds is liquid to the extent that it can be redeemed easily. Also, it is less risky than arranging for a private mortgage investment because your money is pooled with many other investors' money, invested in a diversity of mortgages, and managed by a professional fund manager. Note, however, that fees may be involved in a mortgage mutual fund investment.

REAL ESTATE AS AN EQUITY INVESTMENT

You can participate in real estate as an equity investment individually, as a member of a real estate syndicate, or as a shareholder in a real estate investment trust (REIT).

As an equity investment, the value of purchasing your own home cannot be overstated. Economists and financial experts agree that it can often be the most important investment a person could ever make. One way to make this large investment work its hardest for you is to pay off your house as fast as possible, with one strategy being to make ordinary monthly payments combined with seven or eight annual deposits of 10% of the original balance, resulting in a house paid off in just seven or eight years. However you choose to do it, a house purchase and quick pay-off make a sound real estate investment.

Along with your everyday living residence, you may wish to invest in personal recreation property, such as a cottage or acreage. The scarcity of such property near populated areas has caused it, historically, to increase in value. The expense associated with ownership of recreation property is offset by your pleasure in its use. As an investment, it may earn rental income and, ultimately, capital gains when you sell it.

Aside from personal residence, several types of real estate exist in which you can make an equity investment. Revenue property is the most common, ranging from a suite or house you rent out, to an apartment building, warehouse, shopping centre, or even a farm. The sole criterion is that the property earns rental income. As an investor, you also expect the property to appreciate in value and your equity in the property to increase over time.

Undeveloped land can be a real estate equity investment, but it may have no offsetting income to reduce ownership expenses. This type of investment is made solely in the expectation that the land will increase in value and, when sold, produce substantial capital gains.

A more indirect method of becoming involved in real estate as an individual equity investment is to purchase shares of companies engaged in real estate activity — that is, companies listed on the stock exchange, such as real estate developers or real estate agencies.

Advantages and Limitations

To make an equity investment in real estate, the down payment required is usually a fraction of the value of the property. Also, the long-term financing is often very attractive.

Although property values have a tradition of generally remaining abreast of inflation, like any other economy-related matter, they can become volatile during certain economic situations. A good example of this was the plunging of real estate prices in Alberta during the early- to mid-80's, when the bottom fell out of oil prices.

The earnings from revenue property may offset the expenses of ownership. At the same time, tax regulations concerning the deductibility of mortgage interest on revenue property and depreciation of the property favor the investor. The tax treatment of capital gains also benefits real estate equity investors.

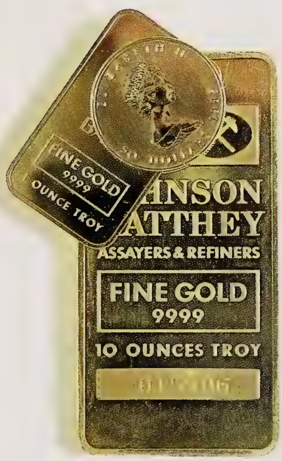
On the other hand, most real estate investments have poor liquidity because finding a buyer takes time. Shares in a REIT are an exception, however, because they can be traded daily on the stock exchange.

Real estate investments involve a number of risks. Real estate values can fluctuate or stagnate, vacancy rates can change, zoning changes can alter property values, and rising mortgage rates can make your investment a loser.

The costs associated with a real estate investment include sales commissions, legal fees, property tax, maintenance, repairs, and the replacement of appliances and equipment. With regard to realtor commissions and legal fees, which can be sizable, an investor should not hesitate to **negotiate** in order to obtain the most reasonable rates possible, and do a lot of comparison shopping. It's also advisable, because of the transaction costs, to make your real estate investments medium- to long-term.

Finally, the real estate market is peopled by sophisticated agents and promoters, and inexperienced investors. Always deal with a reputable, experienced agent, and seek legal and tax advice before undertaking any major real estate investment. Be wary of high-pressure sales tactics involving property away from your own community.

GOLD AND COLLECTIBLES



GOLD

Gold holds a fascination and allure matched by few other investments. It is seen by many as the ultimate hedge against inflation and a devalued currency. Its popularity as an investment has led to the development of many types of investment opportunities, which are described below. However, the buying and selling of gold bullion, coins, or certificates is unregulated, and dealers in gold are not licensed by the Alberta Securities Commission. Also, the price of gold is extremely volatile and is affected by economic, political, and other factors.

Gold Bullion: Bullion wafers and bars can be purchased in Canada from some banks, one trust company, and a limited number of gold and investment dealers. Gold bullion and coins are priced in U.S. dollars. Money invested in gold earns no interest or dividends. You face the costs of safekeeping, insurance, transportation, and possibly appraisal when you sell.

Gold Bullion Certificates: Certificates give you title to a quantity of gold bullion, but the institution from which you purchase a certificate holds the gold in safekeeping for you. A nominal sales fee may be charged, but you incur little expense for safekeeping or storage.

Gold Coins, Bullion Coins: Coins such as the Canadian Maple Leaf are pure gold and sell for a premium above the value of the gold itself. The appeal of gold coins lies primarily in their easy conversion to cash. However, you face the problem of safekeeping, and your investment earns no return. Gold coin certificates are also available.

Numismatic Gold Coins: These coins are collectors' items because of their rarity, age, or exceptional quality. A large premium above the actual gold value is charged for them, and only an expert can detect the real value. Fakes and counterfeits abound. Deal only with established, reputable dealers, and be wary of mail order promotions of gold coins or medallions.

Gold Options and Gold Futures: Options and futures are highly leveraged and exceedingly risky investments. They are best left to specialists.

Gold-Mining Shares: Shares in a gold-mining company offer two possibilities for gain. Gold may increase in value, and the company may increase its profitability. In selecting this investment, consider the stability of the company as well as the future of gold, and seek the help of an experienced broker.

Penny Gold Shares: These shares may be in a company which actually has no mine. Promoted and sold on the strength of potential ore reserves and possible future mine development, they are exceedingly risky.

Gold Mutual Funds: These give you the opportunity to make a modest investment in a portfolio of gold bullion and gold-mining shares, and to have your investment professionally managed.

Gold Jewelry: This is a pleasure to own, but a poor way to invest. Gold jewelry is usually not pure gold, its price reflecting the goldsmith's workmanship, retail markup, and sales tax. These costs may not be recovered if you sell the jewelry as a precious metal. Two expenses you may face with an investment in jewelry are appraisal fees and insurance premiums.

COLLECTIBLES

Works of art, antique furniture, rare stamps and coins, vintage wines — all these are collectibles. Because such items could potentially add to your net worth, you may ease your conscience by describing their purchase as an investment. In reality, they are not usually a profitable financial venture. They generate no income, and, if you try to sell them, you will find you must deal with professionals who will pay only a wholesale price. If you buy collectibles, consider the cost of appraisals and insurance.

Beware of fakes or flawed items. If you are a serious collector, buy from professionals. Learn all you can about your collection. Buy the best you can afford. Keep signed receipts, appraisals, and a record of the price you paid.

Part Three: Take The Plunge

So far, so good! You've spent the time to get ready, you've explored alternatives, and now you're asking yourself, "Where do I go from here?" The next step is to take the plunge into the financial marketplace. Part Three shows you how. It will help you design your portfolio, be alert to investment risks, make your move, and manage your investments.

Design Your Portfolio

Your first task is to design your portfolio: a collection of investments selected to achieve your specific objectives. This book presents only basic ideas. You may want to continue exploring the topic by using some of the resource materials identified in Part Four.

CONSIDER BALANCE AND DIVERSIFICATION

Two important characteristics of portfolio design are balance and diversification among your investments. A balanced portfolio provides safety, income, and growth to meet your needs, and its composition will change as your age, circumstances, and economic conditions change.

Diversification should reduce risk and increase your opportunity for profit. However, too much diversification can complicate the management of your investments.

You can diversify your investments in many ways:

- By investment type: bonds, deposits, shares, mutual funds, real estate, etc.
- By industry segment: oil and gas, retailing, transportation, lumber, etc.
- By quality of investment: conservative, speculative, growth, etc.
- By liquidity and maturity dates: long-term deposits, treasury bills, Canada Savings Bonds, etc.

DO A PYRAMID PORTFOLIO ANALYSIS

An effective way of achieving diversity and balance in your portfolio is to do a pyramid portfolio analysis. A pyramid, shown on the following page, categorizes investments by degree of risk and clearly shows the size of each category in relation to the total portfolio.

The pyramid has a solid foundation made up of sufficient insurance, an emergency fund, a pension plan, conservatively invested retirement savings, and a clear title residence. Together, these satisfy basic security needs. However, the building of a solid foundation will take many years of careful financial management. During this time you may want to begin making investments higher up the pyramid of risk.

As the pyramid rises, the characteristics of the investment categories change — they become less conservative, more growth-oriented, and then speculative. Many investors never go higher than the "conservative" level where they feel comfortable.

It's easy to see how the pyramid can be used to design — or improve — your portfolio. First, review your net worth statement to identify the assets that you consider to be investments. List these in the appropriate categories of the pyramid. Now assess their balance and diversity. Is your foundation sound? In any one category, are there too many investments of one type? Are they all interest-bearing and, therefore, subject to full taxation?

Are they selected to provide some protection against inflation? What must you do to improve balance and diversity in your portfolio?

As you begin to plan your financial strategy for the coming years, review the full range of investments you explored in Part Two of this book. Select those which complement your present porfolio of assets, satisfy your objectives, and assist you in the achievement of your goals.

Your pension should be of particular importance to your portfolio design. For instance, if you have no pension, your investments may have to provide income during retirement. In this case, you may wish to have a large percentage of your portfolio in bonds or preferred shares. If you have a substantial pension, your investments may be oriented more toward growth.

When you consider any financial decision, ask yourself the questions outlined in the section which follows, "Be Alert to Investment Risk." Your answers should help you analyze any investment and appreciate its risks.

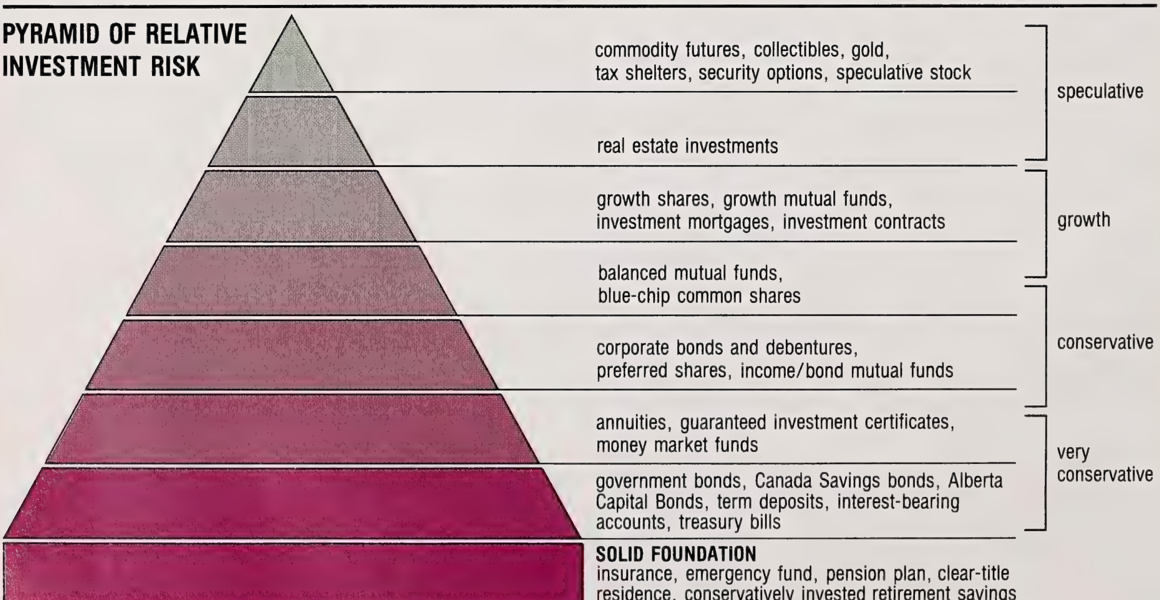
In review, avoid putting all your eggs in one basket. Know the risks associated with any financial undertaking.

BOND RATING SERVICES

Actively used by investment professionals, Canada's bond rating services are also available to the small investor, via a stockbroker. Preferred shares, bonds and debentures are three types of securities rated by one such service.

In the event that an investment has not been assigned a rating, the investor is encouraged to either research the investment more thoroughly, or abandon it altogether. While there is nothing inherently wrong with investing in lower grade or un-rated securities, the investor should be fully aware of the circumstances, and prepared to face some additional risk.

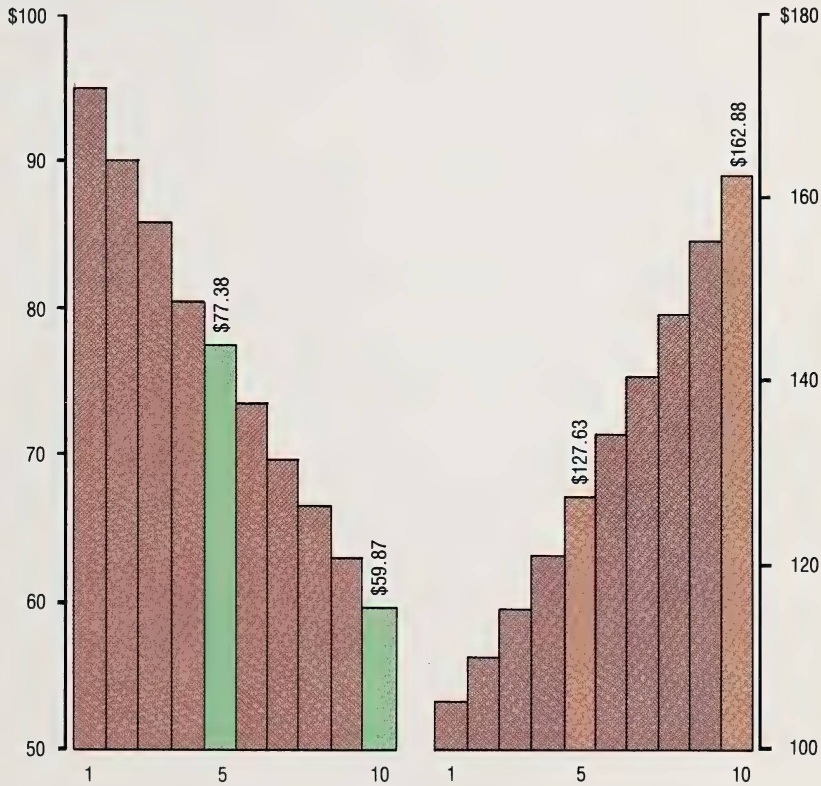
PYRAMID OF RELATIVE INVESTMENT RISK



The pyramid depicts the relative risk of various investment options. However, you should bear in mind that numerous factors affect the risk level of investments, such as eligibility for insurance (see "CDIC" box on page 13), and whether or not you exceed the amount identified by an issuer as the insured maximum for a particular investment.

YOUR REAL RATE OF RETURN

You invest your savings to make your money work for you and provide the best yield. If you don't put your money to work, inflation will erode its purchasing power. Even to maintain the status quo, your savings have to earn enough to at least keep up with the inflation rate. The following table illustrates the effects of inflation on purchasing power.



Declining Purchasing Power

This table illustrates the loss of purchasing power of $100, over 10 years, at a 5% rate of inflation. Under these conditions, the value of what you can now buy with $100, will shrink to $77.38 in 5 years and to $59.87 in 10 years.

Equivalent Purchasing Power

This table illustrates the amount of money needed to maintain the purchasing power of $100 over 10 years, at a 5% rate of inflation. Under these conditions, to purchase the equivalent of what $100 will now buy, you will need $127.63 in 5 years and $162.88 in 10 years.

Income tax, too, reduces the yield of your investments. Review how each type of investment income is taxed by referring to the section ''Investments and Taxes'' on page 22. Also determine your marginal tax rate by referring to that section on page 18. With this information it's possible to determine the after-tax yield of any taxable investment. For example, if you invest in a $1,000 guaranteed investment certificate yielding 10% interest, you will earn $100 interest yearly. However, if your marginal tax rate is 25.92%, you will be required to pay $25.92 tax on this $100 interest income. After tax, the yield on your investment will be $74.08 representing a rate of return of 7.4% instead of 10%.

When you're developing a strategy for a financially secure future, you must take into account your real rate of return after inflation and taxation have taken their bite.

Be Alert To Investment Risks

Before putting your money in any investment, make sure you can answer the following general questions and the ones that apply to the specific type of investment you're considering.

General Questions

1. Is there any risk that you could lose your money? Do you understand the nature of the risk involved?
2. How will income you earn from this investment be taxed?
3. Are there any fees, commissions, or other charges associated with getting into or out of this investment?
4. How and when can you get your money out, both at the maturity date and any time before that?
5. Is management of the investment going to demand a lot of your time?
6. Why have you selected this particular investment? Does it complement your overall investment strategy?
7. Is the investment insured by CDIC or otherwise guaranteed?
8. If guaranteed:
   - What are the terms and conditions of the guarantee?
   - Who is the guarantor?
   - What is the financial condition of the guarantor?
9. Can you stand the stress and financial hardship associated with the possible loss of your money in a risky investment?

Debt Investments — Non-Traded

1. What is the risk that you will not receive your interest payments?
2. What is the risk that the economy will inflate and you will be locked in to a relatively poor interest rate?
3. If the institution were to experience financial difficulties, could you get your money back?

Debt Investments — Traded

1. Can you afford to leave your money in this investment until the maturity date, if necessary?
2. What is the risk that you will not receive your interest payments?
3. Can you get out of the investment quickly if you need the money?

Equity Investments — Common Shares

1. Will this investment earn any dividend income?
2. Can you afford to leave your money in long enough for the share value to increase?
3. Have you thoroughly investigated this investment? Is your decision based on sound information or on hot tips and rumors?
4. Have you identified the point at which you will sell the shares?

Equity Investments — Preferred Shares

1. Has the company an uninterrupted history of dividend payments?
2. Are you aware of any special features of the preferred shares, particularly the date and price for their redemption or retraction?

Mutual Funds

1. How does the ten-year performance record of the fund compare with other similar funds?
2. Have you obtained and read the fund's prospectus?
3. Are you prepared to hold this investment for several years?
4. If your investment is a contract for monthly payments, do you understand all of the conditions of the contract? When and how can you get your money back? Are there any penalties for early termination of the contract?

Options and Commodity Futures Contracts

1. Are you investing with money you can afford to lose?
2. Is your stockbroker competent and experienced in this type of trading?
3. Can you watch this investment daily or hourly, if necessary?
4. Can you stand the stress of losing your money?

Real Estate — Debt Investments

1. Has the property owner a steady source of income with which to make the mortgage payments?
2. Does the property owner have a reasonable equity in the property?
3. Do you believe that you can get all your money back when the first term of the mortgage ends, or will you have to renew the mortgage?

Real Estate — Equity Investments

1. Must you sign any personal guarantees with the lender who is financing your purchase of this property? When you sign a personal guarantee, all your assets, house, car, savings, are available to satisfy the loan if necessary. Can you afford this risk?
2. Can you afford to make the payments on this property if revenue from it is interrupted or fails? Can you afford to supplement the payments if revenue from the property will not service the mortgage?
3. Will this property retain its value if economic conditions change?
4. Are you prepared to keep this property long enough to recover not only your investment but the costs associated with buying and selling it?

Gold and Collectibles

1. How will you ensure safekeeping of these investments?
2. What are the tax implications of these investments in your estate?
3. Have you checked out the credentials of the people or institution from which you are buying?
4. Is the item you are buying genuine? Will you have it appraised? Can you get your money back if there is a problem with its authenticity?
5. Will you enjoy owning the item?

MAKE YOUR MOVE

Once you're familiar with the alternatives and have chosen what's best for your portfolio, you can take action. This section gives you the basic information you need on where to obtain various investments. And, because many people are unfamiliar with securities trading, this section shows you how to get started.

WHERE TO OBTAIN INVESTMENTS

Debt Investments

Non-traded Debt Investments: Term deposits, Alberta Capital Bonds, and Canada Savings Bonds are available from: banks, trust companies, credit unions, and Alberta Treasury Branches. Canada Savings Bonds and Alberta Capital Bonds are also available from stockbrokers. Annuities can be purchased from life insurance companies and trust companies. Guaranteed investment certificates (GICs) are available from trust companies, banks, Treasury Branches, credit unions and some stockbrokers. In some cases, GICs obtained through banks are actually issued by affiliated mortgage or trust companies. Investment contracts can be obtained at investment contract companies.

Traded Debt Investments: Bonds and debentures issued by the Government of Canada, the provinces, municipalities, crown corporations, and private corporations are bought and sold through stockbrokers. Treasury bills are available through banks, Alberta Treasury Branches and stockbrokers. Canada Mortgage and Housing Corporation's Mortgage-Backed Securities (MBSs) are available through chartered banks, investment dealers (stockbrokers), and trust companies.

Equity Investments

Both common and preferred shares are bought and sold through stockbrokers, as are warrants and rights for common shares. A prospectus must be provided with all new issues of shares or debentures offered to investors in Alberta. It provides valuable information about the new offering and the company.

Mutual Funds

Mutual funds are bought and sold through the company administering the fund, stockbrokers, mutual fund dealers, some Canadian banks, most Canadian trust companies, and appropriately licensed representatives of life insurance companies.

Options and Commodity Futures Contracts

These highly speculative investments may be bought and sold through a limited number of stockbrokers, and through firms specializing in commodity futures contracts.

Real Estate

Debt Investments: An investment in mortgages can be arranged through a mortgage broker who, for a fee, acts as an intermediary between the borrower and the lender of the mortgage money. If a mortgage investment is arranged privately between a borrower and lender, legal assistance may be necessary to properly prepare and register the mortgage documents. Issuers of MBSs were identified on the previous page under Traded Debt Investments.

Equity Investments: The purchase of property as an investment may be arranged through a real estate agent. Look for a reputable, experienced agent familiar with investment real estate.

Opportunities for participation in real estate syndicates or limited partnerships are advertised in the business press and/or through private sales forces. A prospectus or offering memorandum will outline the details of the investment. Shares or units in a real estate investment trust (REIT) can be purchased through stockbrokers, investment fund dealers, or directly from the company administering the trust.

Gold and Collectibles

Gold: An investment in gold bullion, gold coins, or gold certificates can be made through a limited number of financial institutions. A number of private dealers buy and sell gold in all its forms except gold certificates.

Collectibles: Authentic sources of valuable collectibles abound. They include dealers in art, coins and stamps, and antiques. Collectibles are also available through public auction.

Trading In The Securities Market

Categories of Dealers

Dealers who sell securities must be registered with the Alberta Securities Commission. There are several categories of security dealers.

- Broker: A person or company who is a member of a stock exchange.
- Investment dealer: A person or company who is a member of the Investment Dealers Association. For more information about the I.D.A. see page 74.
- Mutual fund dealer: A person or company who is restricted to trading units or shares in mutual funds.
- Scholarship plan dealer: A person or company who is restricted to trading in securities of a scholarship educational plan or trust.
- Securities dealer: A person or company registered to trade securities but not a member of a self-regulatory group.

Since the Alberta Securities Commission approved the offering of full-service or discount brokerage services through existing branch networks of banks, trust companies and credit unions in late 1988, any personnel employed in that role would be classified as securities dealers. The reason for that is that provincial regulations stipulate that any institution wishing to offer these services must set up a separate company to handle securities sales, which are to be conducted in an identifiably separate part of the branch, under the name of the securities dealer.

Select an Investment Dealer and Broker

If you decide to invest in securities, you will need to select an investment dealer or salesperson with whom to do business. Securities salespersons are known as brokers, registered representatives or account executives.

A broker works for a firm of investment dealers, buying and selling securities for clients and charging a commission for doing so. When choosing, bear in mind that your broker must be someone with whom you can communicate easily, and you don't feel intimidated by.

Investment dealers and brokers fall into two groups:

- Full-service investment dealers and brokers: These provide support services including market specialists and research departments to provide up-to-date market information. Consequently, a full-service dealer is able to discuss your security selection and make recommendations to buy or sell.
- Discount investment dealers and brokers: These do not offer advice or recommendations about stock selection. They merely buy and sell securities at their clients' instructions. Their commission costs may be approximately half those of the full-service dealer, particularly on lower-priced shares or small volumes of shares. Discount dealers are only recommended for experienced investors who make all their own investment decisions.

Ask friends to recommend an investment dealer and/or broker, but beware of too much enthusiasm. All clients love their brokers when they're making money. Ask business associates or your accountant for recommendations. Interview two or three brokers at their offices before making your choice. Be prepared to clearly describe your investment objectives and to disclose your financial circumstances, so that your broker can recommend suitable investments.

You should discuss the amount of your opening account. Some brokers will tell you quite openly they are not interested in handling accounts of less than $10,000. Others don't apply this five-figure limit but may recommend the purchase of a mutual fund instead of individual securities.

Ask about commissions. These vary according to the price and number of the shares you are trading. On higher-priced shares and on larger volumes of shares, commissions are lower. Commissions are not charged at all on new share issues.

You may wish to choose a broker with an investment firm belonging to the Investment Dealers Association of Canada or a stock exchange, and therefore to the National Contingency Fund already referred to on page 12.

Switching brokers or dealers can be done easily. After discussing your investment needs with your prospective new broker, you will be asked to sign the appropriate forms and your account will be transferred. If you choose your broker carefully and outline your investment objectives closely, switching should be a rare occurrence.

Always review written confirmation of trades and monthly statements carefully. Report any unauthorized trades to your broker and his superior. If your complaint is not dealt with to your satisfaction, contact, in order, the firm's Alberta regional manager, the Investment Dealers Association in Alberta, the Alberta Stock Exchange, and, finally, the Alberta Securities Commission.

Open an Account

Once you have selected a broker, you're ready to open an account. Questions are asked about your income, assets, dependents, banking institutions, and your investment objectives. Your credit rating is checked, and you are asked to disclose if you are an officer of a public company. All information is strictly confidential.

When making a purchase, you decide the form of your securities: registered or bearer. Registered securities are registered in your name. You take possession of the certificates, and it's up to you to keep them safe. A record of your ownership of the registered securities is kept by the corporation whose shares you purchased. Dividend and interest cheques, annual reports, and notices of shareholders' meetings are mailed directly to you.

Bearer or street form securities are registered in the investment dealer's name and the certificates are held by the dealer in safekeeping. Keeping securities in bearer form makes trading more convenient. Further, dividend and interest cheques are forwarded to the investment dealer and credited to your account. You will receive monthly statements and an annual tax statement.

Place an Order

The securities industry is based very much on trust. Consequently, most orders to a broker from a client are givedn by telephone, and confirmed in writing after they have been filled. Two common types of orders are:

- Market Order: This is an instruction to buy or sell a security as soon as the order is received, at the best available market price.
- Open Order: This is an instruction to buy or sell a security when it reaches a certain price, rather than at the market price at the time the instruction was given. An open order remains in effect until it is cancelled or filled. Unless otherwise directed, some discount brokers will only leave an order open for one day, making it what is technically referred to as a ''day order.'' To avoid any confusion or misunderstanding, investors are advised to specify if they want their orders open through a certain day, resulting in a ''good-through order.'' If such an order isn't filled by the specified date, it is cancelled.

You are required to settle, or pay for most security orders on the fifth business day following the day the order is transacted. Only one business day is allowed for settlement of options.

If you are ordering securities for inclusion in your self-administered RRSP, the security will be forwarded to the trust company administering your RRSP. It is held there in safekeeping in your RRSP account.

MANAGE YOUR INVESTMENTS

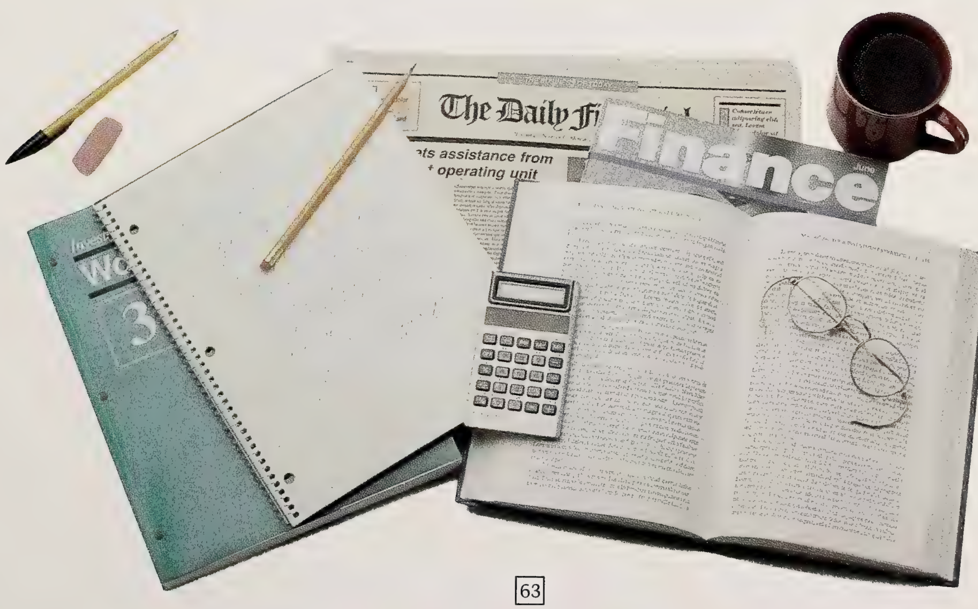
You are ultimately responsible for the success of your financial strategy, whether you invest in term deposits, Canada Savings Bonds, the stock market, or government bonds. For this reason alone, you must keep a check on economic conditions and tax regulations that may call for changes in your strategy. It's up to you to be alert and informed. The following suggestions should help you manage your investments successfully.

- Regularly review your portfolio.
- Set a reasonable annual target of growth. Don't aim too high.
- Investigate carefully before you invest.
- Look for quality investments.
- Seek professional advice.
- Don't buy on tips or rumors.
- Maintain enough liquidity for easy portfolio adjustment.
- Be patient.
- Don't fall in love with your investments. The decision to sell is harder to make than the decision to buy.
- **Stay curious; ask questions.**

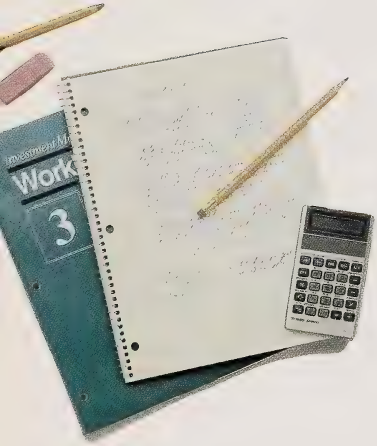
Most important of all, keep on learning. Reading through this book is only the beginning of your quest for financial security. Part Four outlines many opportunities to continue expanding your knowledge. Enjoy the challenge!

PART FOUR: CONTINUE YOUR EXPLORATION

A wise investor is an informed investor. To learn more and to stay abreast of economic events, read a wide variety of magazines, newspapers, newsletters, and books. Be alert for radio and television programs and consider taking a course on investing.



TAKE A COURSE



Completing a course on investing is always a sound undertaking. Courses range from the very basic to the more advanced. For most, a fee is charged. Determine the instructor's qualifications before you enroll.

The Canadian Securities Institute is an educational organization sponsored by the securities industry that offers a number of correspondence courses at varying levels to both industry and private students. For more information, contact:

The Canadian Securities Institute
#2330, 355 - 4 Avenue S.W.
Calgary, Alberta
T2P 0J1
Telephone: 262-1791

The Investment Funds Institute of Canada offers a self-study course on mutual funds to both industry and private students. For further information, contact:

The Investment Funds Institute of Canada
70 Bond Street, Suite 400
Toronto, Ontario
M5B 1X2
Telephone: (416) 363-2158

The Canadian Institute of Financial Planning offers a series of increasingly complex financial planning courses to people employed in the financial industry and to private individuals. Of special interest is the introductory correspondence course on personal financial planning. For more information, contact:

The Canadian Institute of Financial Planning
70 Bond Street, Suite 405
Toronto, Ontario
M5B 1X2
Telephone: (416) 865-1237

The continuing education programs run by local school boards, university extension faculties, and community colleges often include investment courses. Find out what is available in your area.

Courses and seminars on investing are occasionally conducted by brokerage houses and private investment advisors. Watch for them; they are almost always worth attending.

READ BOOKS AND OTHER PUBLICATIONS

Books from your local library or bookstore are another source of information about investing, personal financial management, tax savings, and insurance. Bear in mind that Canadian and U.S. books are based on different tax laws and procedures.

On these same topics, other publications ranging from pamphlets to newsletters to booklets are available from a variety of sources. Here are some suggestions for materials to read.

Investing

Marketwise: Your Personal Investment Program by Victoria M. Ryce. Toronto: Stoddart Publishing Co. Ltd., 1988.

Written in an up-beat, concise manner, this workbook-style publication assists you in "choosing the right investments for the right times," as it describes in easy-to-understand terms the array of investment options available from a stockbroker, while at the same time providing valuable advice and tips on investment, in general.

Money Angles by Andrew Tobias. New York: Linden Press, 1984.

Humorous and informative, here's a book that talks and teaches about money — getting it, keeping it, investing it, borrowing it, spending it. Topics such as mutual funds, municipal bonds, brokerage houses, corporate reports, and sources of business news are discussed. Glossary and index included.

The Money Labyrinth: A Stock Market Guide by a Canadian Broker by S.E. Woods. Toronto: Doubleday Canada, 1984.

All about the stock market. Presented are various possible investment strategies and pitfalls. Bonds, preferred shares, common stocks, mutual funds, commodities, index futures, options trading, precious metals, warrants, and tax shelters are explained. Glossary and index included.

Understanding Wall Street by J.B. Little and L. Rhodes, Rev. ed. Maryland: Liberty Publishing, 1987.

Easy to understand, this book serves as a layman's guide to investment techniques.

The Financial Times Personal Finance Library - a series of three books on personal investment: *Investment Strategies* by Seymour Friedland and Steven G. Kelman; *RRSPs 1989* (annual) by Steven G. Kelman; and *Understanding Mutual Funds* by Steven G. Kelman. All are revised editions, Toronto: Financial Times of Canada, 1988.

Each book in this up-to-date, quick-reference series is perfectly suited to either the new or more seasoned investor. *Investment Strategies* informs you of investment strategies and how they work, while at the same time showing you how to accumulate wealth by using the variety of investment alternatives available to Canadians.

Like its six previous editions, *RRSPs 1989* is designed to help people determine which type of plan is best for them, by demonstrating how to evaluate the options, and make RRSPs part of a total savings package. *Understanding Mutual Funds* explains the basics of the fund' business, equipping you with the knowledge necessary to make a wise buying decision. The book also provides the reader with essential information on the top 100 mutual funds in Canada. This personal finance library is available in book stores or can be ordered directly from the Financial Times of Canada.

Financial Times Mutual Fund Sourcedisk, available on a single, quarterly or monthly basis through the Financial Times. This IBM-compatible software package keeps the user up-to-date on long- and short-term performance figures for Canada's 450+ mutual funds.

Your Investment Strategies for the 1990's by Henry B. Zimmer and V. Jeanne Kaufman. Toronto: Totem Books, 1988.

The stock market "crash" of October, 1987...If ever there was a time and a need for investors to build secure portfolios for the future, it's **now**, according to these two writers.

Zimmer and Kaufman put their extensive knowledge in the areas of taxation, investment and financial planning to work for the Canadian investor in this book, which offers practical advice on essential aspects of personal planning, such as: understanding inflation; setting financial goals; evaluating various investment alternatives; determining the role of RRSPs, pensions and life insurance within your financial plan; and the best method of obtaining professional advice.

A number of investment or market letters are available, ranging in cost from about $100 to $300 for a year's subscription. Before you subscribe, study them at your local library. While these letters are current and highly informative, each has its own personal bias, highly influenced by its editorial staff. Although definite recommendations are often made, readers should remember that the writers are not infallible. Personal good judgment and appropriate research on recommendations should be a potential investor's standard operating policy. Following are some of the Canadian letters available by subscription:

C.H.W. Letter
Deliberations: The Ian McAvity Market Letter
The Investment Reporter
Investor's Digest
The MoneyLetter
Money Reporter
Personal Wealthy Reporter

Major investment houses publish regular economic reviews and research reports on individual market sectors as well as on specific stocks. These publications are free to the public. Pick them up from the offices of the investment firms or ask to be put on mailing lists. Although these newsletters are usually informative and well researched, don't forget they are influenced by the views of the companies that produce them.

Personal Financial Management

The Canadian Woman's Guide to Money by Monica Townson and Frederick Stapenhurst. Rev. ed. Toronto: McGraw-Hill Ryerson, 1982.

The authors describe what every woman on her own needs to know about credit, investments, life insurance, income tax, employment, retirement, budgets, and money matters. This book looks at the financial needs and money management problems of women in general, and of women in particular situations such as working wives, women re-entering the workforce, and women as single parents.

Everywoman's Money Book by Betty Jane Wylie and Lynne MacFarlane. Rev. ed. Toronto: Key Porter Books Limited, 1987.

The authors describe a step-by-step plan to help women earn credit ratings, plan investment strategies, set and reach financial goals, reduce income tax and plan for retirement. Glossary included.

Get Smart! Make Your Money Count by Lyman MacInnis. Scarborough: Prentice-Hall Canada Inc., 1983.

Part one is a basic guide to budgeting and includes information on tax shelters, credit, and insurance. Part two is a guide to investing in securities.

It's Your Money by Brian E. Anderson and J. Christopher Snyder. Toronto: Methuen, 1988.

A comprehensive work which covers budgeting, credit, savings, investments, employee benefits, tax shelters, insurance, and estate planning. It also offers rules for finding and using a financial advisor.

Money Manager for Canadians by Henry B. Zimmer. Toronto: Totem Books, 1986.

If you want to compare investment yields, decide which mortgage rate and term are best for you, evaluate insurance costs, and make many other calculations related to your personal finances, this practical math guide and a calculator will help.

Personal Financial Survival: A Guide for the 1980s and Beyond by David M. Brownstone and Jacques Sartisky. Toronto: John Wiley & Sons, 1981.

Intended as a guide to life-long personal planning for people of all ages and incomes, this book presents financial strategies which take into account two very important social trends of the 80's and the foreseeable future: increased life expectancy and long-term inflation.

In addition to planning tips and information on investment options such as stocks, commodities, real estate and insurance, the book includes a helpful section of case studies describing real-life financial situations. Continuing in its helpful mode, the book concludes with a look at financial jargon and sources of more information.

Touche Ross Canadian Guide to Personal Financial Management, 2nd edition by Mary Turner, Daniel Le Rossignol, Claude Rinfret and Eric Feilden. Scarborough, Ontario: Prentice-Hall Canada Inc., 1987.

The objective of this book, as stated in the introduction, is "to help you get better control of your life financialy." Written in a bright, well organized style by four chartered accountants, this book offers to help you minimize your income taxes, increase your investment return, improve your retirement planning and transfer your estate with minimal emotional and financial cost.

Tax Savings

Are You Payng Too Much Tax? by W. Beach and L. Hepburn. Toronto: McGraw-Hill Ryerson, Annual.

Updated annually, this guide to reducing income taxes includes an explanation of the latest changes in tax legislation. The authors also offer advice on how to deal with the tax department.

The Delaney Report on RRSPs by Tom Delaney. Toronto: McGrawy-Hill Ryerson, 1988.

This is a comprehensive guide to RRSPs complete with an explanation of RRSPs and the different types available. It discusses maturity options and includes a buyer's guide.

Mike Grenby's Tax Tips: A Year-Round Guide by Mike Grenby. Vancouver: International Self-Counsel Press Ltd., Annual.

Writer of one of Canada's most widely read nationally syndicated financial columns, Mike Grenby bases his tax tips on thorough research and a comprehensive understanding of the most recent tax laws. *Tax Tips* explains these rules, and includes a step-by-step guide to help you prepare your tax return.

How to Reduce The Tax You Pay: Planning After Tax Reform by the chartered accountant firms of Deloitte, Haskins & Sells, and Samson Belair. Toronto: Key Porter Books Limited, 1988.

The 1988 tax reforms resulted in numerous fundamental changes for every Canadian who pays taxes. The experts behind this book suggest sound planning principles intended to help you reduce or defer income tax, increase your deductions and avoid tax traps. While discussing personal and business tax planning, the book also provides practical approaches to investment, saving for retirement, and estate planning.

Annual tax reviews and tax planning publications are prepared by major chartered accounting firms and investment dealers. They are usually offered without charge to clients and, on request, to other individuals. The contents are generally comprehensive and understandable.

Revenue Canada publishes a number of small booklets and interpretation bulletins which are available without charge from any district taxation office. Revenue Canada also answers tax enquiries by telephone. Check your telephone directory for either the direct Revenue Canada Taxation "Enquiries" line, or the toll-free Reference Canada number.

Insurance

Effective Insurance: A Guide for Buyer and Seller by Francis Tierney and Paul Braithwaite. Toronto: Butterworths, 1984.

Written for the layman, this offers a detailed explanation of general insurance and the types of protection available. The authors aim to help the insurance buyer gain enough knowledge to question an insurance advisor in an informed way.

Stone and Cox Life Insurance Tables by Stone and Cox. Toronto: Stone and Cox, 1988.

Updated annually, this publication provides a comparison of rates offered by established life insurance companies operating in Canada. Listed are specimen premium rates, surrender values, and dividends.

The Canadian Buyer's Guide to Life Insurance by William McLeod. Scarborough, Ontario: Prentice-Hall Canada Inc., 1988.

The candid tone of this book is set from the first page, when the author states, "Almost every Canadian who buys life insurance gets ripped off." In an effort to help you choose the right policy for your needs at the best price, this book provides clear explanations of the various types of policies, discusses premiums and tells you what insurance outlets offer the described plans. Readily admitting that insurance people are "a breed of their own," this book also offers "tips for dealing with insurance salespeople."

Contact The Canadian Life and Health Insurance Association if you have questions about life or disability insurance or if you want one of these booklets: *Canadian Life and Health Insurance Facts, This Business of Life, Life and Health, Planning for Success, Family Money Manager, A Guide to Buying Life Insurance, Sharpen Your Pencil, Where Will the Money Come From if You're Disabled, You and Your Group, Where is Everything?, Planning for a Successful Retirement, Retirement: As You'd Like It.* Contact:

The Life and Health Insurance Information Centre
20 Queen Street West, Suite 2500
Toronto, Ontario
M5H 3S2
Telephone (toll-free): 1-800-268-8099

Contact The Insurance Bureau of Canada for information on automobile or property insurance or if you want one of these booklets: *Home Insurance Explained, Car Insurance Explained.* Contact:

The Insurance Bureau of Canada
10080 Jasper Avenue, Suite 1105
Edmonton, Alberta
T5J 1V9
Telephone: 423-2212 in Edmonton
Outside Edmonton (toll-free): 1-800-232-7275

READ NEWSPAPERS AND MAGAZINES

Many newspapers and magazines report exclusively on financial matters. Browse the shelves of your local newsstands and library. Good financial papers or magazines will provide informed comments that cover a broad range of current economic events.

Detailed market reports are available in three Canadian papers: *The Financial Post* (daily), *Financial Times of Canada* (weekly), and the daily *Globe and Mail*. These market reports contain a wealth of information which can be readily understood if you know the symbols. If you are an investor in securities or mutual funds, reading market reports will keep you informed of the status of your investment. Study pages 71 and 72 for samples of weekly bond quotations, daily stock quotations and a monthly mutual fund survey with interpretive notes to assist you.

The Financial Post has a monthly magazine supplement, *Moneywise*, as well as *The Investor's Guide*, issued four times a year. The *Financial Times* comes with a monthly newsletter called *Personal Finance. The Globe and Mail* also publishes a magazine called *Report on Business*, which is inserted in the paper once a month.

Popular Canadian financial publications include *Canadian Business, Canadian Money Saver,* and *Moneywise.* Popular U.S. publications include *Business Week, Forbes, Fortune,* and *Money.*

THE GLOBE AND MAIL, MONDAY, FEBRUARY 3, 1986

CANADIAN BOND QUOTATIONS

As supplied to FRI Information Services Ltd. by Canadian Bond Rating Service.

Data compiled on Jan. 31.

Quote is estimate of price at current interest rate levels. On extendibles and retractibles, yield on bond trading over par is calculated to long date, yield on bond under par is based on earliest maturity.

Extendable Bond. First maturity date May 1, 1986, you may extend it to May 1, 1991.

Interest coupon of 15%. This bond will pay $150 interest every year until maturity.

To purchase this bond you must pay $1,176.30 today. However, it will earn annual interest of $142.50 until maturity, September 1, 1992, at which time it will be redeemed for $1,000, its face value.

CANADAS

Issuer	Maturity	Coupon	Quote	Yield
Canada	6 Mar 86	10.50	99.95	10.59
Canada	15 Mar 86	10.00	99.90	10.45
Canada	1 May 86/91	14.50	116.38	10.36
Canada	1 Jun 86/93	15.25	123.38	10.58
Canada	6 Jun 86	13.00	100.70	10.69
Canada	1 Jul 86/93	14.75	121.25	10.54
Canada	5 Sep 86	12.25	100.95	10.51
Canada	1 Oct 86	8.00	98.65	10.12
Canada	1 Oct 86/91	18.00	130.50	10.67
Canada	15 Dec 86	10.00	99.75	10.28
Canada	1 Feb 87/92	15.50	121.63	10.55
Canada	15 Mar 87	15.00	104.60	10.50
Canada	1 May 87	12.25	102.20	10.29
Canada	1 Jun 87	13.00	103.20	10.34
Canada	1 Jun 87	14.75	105.15	10.47
Canada	6 Jun 87	10.00	99.80	10.14
Canada	1 Jul 87	8.25	97.70	10.02
Canada	1 Jul 87/92	15.00	120.63	10.50
Canada	1 Sep 87	13.50	104.40	10.39
Canada	1 Sep 87/92	14.25	117.63	10.47
Canada	6 Sep 87	9.75	99.40	10.15
Canada	15 Oct 87	13.00	104.00	10.35
Canada	15 Nov 87	12.00	102.70	10.28

CORPORATIONS

Issuer	Maturity	Coupon	Quote	Yield
Abitibi Pap	1 Mar 95	11.00	99.50	11.09
Agra Inds	15 Mar 92	6.50	160.00	0.0
Algoma Stl	1 May 95	11.00	99.00	11.17
Algoma Stl	15 May 97	17.38	121.00	13.66
Alum Co Cda	15 Nov 94	10.75	98.88	10.95
Arbor Cap	15 Jul 87	15.50	177.00	0.0
Atrium On B	1 Oct 05/87	12.75	113.75	11.02
AVCO	15 May 86	11.25	99.75	11.87
AVCO	1 Feb 88	13.00	102.75	11.42
B F Goodrich	15 Apr 96	11.00	96.38	11.61
B F Goodrich	1 Nov 98	10.25	·91.00	11.61
Bank of Mtl	16 Dec 87	12.63	102.25	11.24
Bank of Mtl	15 Aug 88	12.50	103.13	11.05
Bank of NS	15 Sep 97	9.50	91.75	10.76
Bank of NS	1 Apr 01	10.00	113.00	8.46
Bankmont	1 Dec 00	13.63	112.13	11.86
Bnk Mtl Mtge	15 Jul 86	12.00	100.25	11.36
Bnk Mtl Mtge	31 Mar 88	11.75	101.25	11.07
Bnk Mtl Mtge	8 Sep 91	11.75	108.50	9.74
Bow Valley R	1 Mar 01	11.00	78.00	14.65
Braelorne R	15 Aug 95	12.88	104.63	12.04
C.I.L.	15 Dec 93	12.38	107.38	10.95
C.I.L.	15 Apr 96	14.50	111.88	12.41
C.I.L.	15 Jul 96	10.63	98.88	10.80

PROVINCIALS

Issuer	Maturity	Coupon	Quote	Yield
Alberta	15 Apr 90	8.88	96.13	10.02
Alberta	15 Jun 91	8.13	92.13	10.05
Alta Gov Tel	1 Mar 90	9.00	96.50	10.06
Alta Gov Tel	15 Dec 91	7.50	89.00	10.02
Alta Gov Tel	31 May 03	11.50	104.13	10.96
Alta Mun Fc	15 Aug 89	13.50	108.75	10.47
Alta Mun Fc	15 Mar 93	7.25	85.13	10.24
Alta Mun Fc	15 Dec 02	12.25	108.63	11.10
BC Bldg Corp	8 Sep 87	15.50	106.50	10.94

Issuer	Maturity	Coupon
N Bruns Elec	15 Oct 97	8.38
N Bruns Elec	15 Nov 98	8.50
N Bruns Elec	1 Oct 99	11.00
N Bruns Elec	1 Mar 00	10.00
N Bruns Elec	8 Feb 02	13.00
N Bruns Elec	21 Dec 03	10.25
N Bruns Elec	1 Nov 04	13.25
N Brunswick	8 Apr 86	13.75
N Brunswick	30 Jun 87/92	15.50
N Brunswick	19 Oct 88	11.50
N Brunswick	10 May 89/94	11.00
N Brunswick	2 Mar 90	9.50
N Brunswick	2 Jul 94	9.00
N Brunswick	17 Jul 98	9.88
NB Mun Fin	15 Dec 86	10.75
NB Mun Fin	27 Nov 89	10.00
NB Mun Fin	27 Nov 90	10.25
NB Mun Fin	29 May 93	11.50
NB Mun Fin	29 May 94	11.50
NB Mun Fin	12 Jun 94	13.75
NB Mun Fin	15 Dec 96	12.25
NB Mun Fin	15 Dec 97	12.25
NB Mun Fin	15 Dec 98	12.25
Nfld	15 May 86	13.38
Nfld	15 Jul 88	11.25
Nfld	15 Aug 90	9.75
Nfld	15 Sep 94	8.88
Nfld	15 May 95	10.38
Nfld	1 Dec 95	10.50
Nfld	17 Feb 96	10.00
Nfld	29 Jun 97	10.75
Nfld	5 Jan 99	10.00
Nfld	19 Oct 02	14.75
Nfld	6 Apr 03	12.88
Nfld	15 Oct 04	13.50
Nfld Mun Fin	15 Aug 99/89	10.75
Nfld Mun Fin	15 Nov 03	13.00
Nfld-Lab Hyd	15 Sep 87	15.25
Nfld-Lab Hyd	20 Dec 88	11.25
Nfld-Lab Hyd	15 Dec 95	10.75
Nfld-Lab Hyd	15 Oct 01	10.25
Nfld-Lab Hyd	28 Sep 02	10.00

Issuer of bond.

Date at which bond matures and can be redeemed at full face value November 27, 1990.

You could buy this $1,000 bond for $780.00 today, and on March 1, 2001, redeem it for $1,000.

This is the effective yield to maturity. This figure calculates both annual interest plus capital gain or loss to maturity.

B12 THE GLOBE AND MAIL, FRIDAY, FEBRUARY 7, 1986

TORONTO

QUOTATIONS FOR FEBRUARY 6, 1986

Price range today was $20 3/8 to $20.

Price range during past 52 weeks was $22 1/8 to $13.

52-week High	52-week Low	Stock	Div	High	Low	Close	Ch'ge	Vol
25	12½	A.G.F.M	.72	$25	24½	25	+ ½	5400
7	6¼	AHA Auto o		$6½	6¼	6¼		5600
20⅜	13⅛	AMCA Int	a .25	$17⅛	17	17⅛		5168
26⅛	23⅜	AMCA p	2.21	$25¼	25¼	25¼		300
28½	24¼	AMCA 2 p	2.37	$27¼	27	27⅛	- ⅛	3100
120	40	Abatera o		42	42	42	- 3	2000
11⅜	6	Aberford		$6¼	6	6¼	+ ¼	6100
220	20	Aberford w		30	29	30	+ 9	12100
185	75	Abermin o		135	130	130	+ 5	2836
23¼	11⅛	Abti Prce	.60	$22⅞	21¼	21¼	- 1⅝	7138
47½	37⅞	Abitbi 7½p	3.75	$45	45	45	- ½	100
8⅛	220	Aces ATM o		250	245	245	- 5	10200
20⅜	16	Acklands	.60	$20⅜	20	20⅜	+ ⅜	200
360	176	Agassiz		320	320	320	+ 5	1000
26¾	12⅜	Agnico E	a .20	$23	22⅞	23		16550
11¾	6	Agra Ind A	.20	$11¾	11⅜	11½	+ ⅛	5500
11½	6	Agra B f	.24	$11½	11⅜	11½	+ ¼	3300
5⅞	310	Aiguebel o		380	380	380	- 20	100
22⅛	13	Alt Energy	.30	$13⅝	13⅛	13⅝	+ ¼	146284
30⅜	27½	Alt Enr A	3.75	$27½	27½	27½	- 1	29015
27¾	23	Al Enr 775	1.93	$24⅝	23¾	24⅝	+ ⅞	5700
16	13	Alta Nat	.60	$15⅛	15	15⅛	+ ⅛	3127
45½	31	Alcan	a .80	$44¾	43⅞	44⅛	+ ¼	102638
		Alcan	see US funds					
11⅛	315	Alcan w		$9½	9	9		83150
23	19½	Algo Cent	.80	$21	20¾	21	+ ¾	200
24	17¾	Algoma St	y.30⅜	$19½	19½	19½	+ ¼	306
28	23¾	Algoma St p	2.00	$25¼	25¼	25¼		600
26	22	Algma St B	2.00	$24⅜	23⅝	24⅜	+ ¾	3600
28⅛	25	Alum A	2.31	$26⅞	26¾	26¾		1700
26⅜	23¼	Alum c p	v1.89	$25½	25¼	25¼	- ⅛	1600
		Alum d pr	see US funds					
10¾	7¾	A Barick o		$10	9⅝	9⅞	+ ⅛	5337
72	46	A Barik w		60	60	60	+ 2	13500
210	115	Am Eagle o		125	115	125	+ 10	11300
38	25	Am Leduc		28	28	28		500
16	11¾	Andrs WA f	.55¼	$14¼	14¼	14¼	+ ⅛	200
27⅜	23¼	Ang CT 4½	2.25	$26⅜	26⅜	26⅜		z20

52-week High	52-week Low	Stock	Div	High	Low	Close	Ch'ge	Vol
10¾	8	CWorld 1 p	1.00	$8¾	8	8¾	+ ¼	6600
6⅞	390	Cnamax o		$5⅜	5	5	- ⅜	48162
9⅜	6½	Canbra		$8	7⅞	8	+ ¼	300
13⅝	7⅜	Canfor		$11¾	11¼	11¾	- ⅛	1700
26	16¼	Canfor pr	2.25	$19¾	19⅝	19⅝	- ⅛	500
18⅜	10¾	Canron A	.30	$17½	17½	17½	- ½	800
12½	7¼	Canterra		$7⅜	7⅜	7⅜	+ ⅛	425
19¾	10¾	Cara	.24	$19¾	19½	19¾		4600
34¾	28¾	Carena	.12	$29⅞	29⅞	29⅞	+ ⅜	1000
17	11¾	Carl OK	.48	$12	11¾	12		7315
26	23	Carl A p	2.20	$26	25½	26	+ ⅝	1125
65	30	Carlyle o		31	31	31	- 4	1625
97	22	Carma A		24	23	23	- 1	53500
120	80	Carolian o		90	86	87	- 3	25500
60	15	Carolian w		22	22	22	+ 2	2000
470	125	Carolin o		230	225	225		3295
15⅝	5⅞	Cascades		$14¾	14½	14½	- ⅛	900
130	65	Cassiar		78	78	78		z500
70	5	Casiar I w		5	5	5		z500
7	350	Cassidy L		$7	6¾	7	+ ¼	600
12⅞	6¼	Celanese	.20	$12⅜	12	12⅜	+ ⅜	3969
7⅝	490	CFund A f	.10	$6¾	6⅝	6¾	+ ⅛	10910
16	10¼	Centrl Tr	.80	$14½	13¼	14½	+ 1⅛	15510
27⅛	24	Cntrl Tr p	2.31	$26¼	26¼	26¼	- ¼	400
9½	5¼	Chalngr A f	a .20	$7½	7½	7½	+ ½	100
12	8½	Charan		$11¾	11⅛	11¾	+ ¾	3000
6	183	Chauvco A o		385	360	385	+ 10	3200
14¾	8⅞	Chieftan		$10⅝	9⅞	9⅞	- ½	6341
52	46	Chieftan B	4.75	$46	46	46	- 1½	100
50	42½	Chieftain C	4.00	$42½	42½	42½	- 1½	100
67¼	43¼	Chrysler	a1.50	$67	65¼	66¾	+ ½	3286
45⅛	38	CHUM B f	x .35	$45⅜	45⅜	45⅜		z10
9¼	415	Cimaron o	k .25	430	415	430		7200
14	445	Cineplex		$14	13½	14	+ ⅝	59750
14	480	Cineplex p	.25	$14	13⅝	14	+ ⅝	1600
9⅞	6⅝	Circo Crft	p .06	$9½	9½	9½		2100
340	190	Claiborne A		290	290	290	+ 20	300
330	190	Coho A		205	200	205	+ 5	3525

52-week High	52-week Low	Stock
8¼	5	Goldcorp f
170	12	Goldcrp w
10	275	Gld Knight o
255	55	Gldn Rul o
10⅞	485	G Sceptr o
65	27½	Gldn Ter o
490	198	Goldnbel o
12	5¼	Goliath G o
16¼	405	Graft G
15½	420	Grafton A f
35½	32½	Graft G p
89	40	Grandma
8⅝	350	Granges o
24	15½	GL Forest
50	25	GL Nickl o
37½	28⅛	Gt Pacific
26¾	25¾	Gt WLife 770
480	385	Greyhnd C
26⅜	22	Greyhnd
13¾	9⅜	Growth I
28	24¾	Growth p
430	210	Growth w
26⅛	21½	Guar Trc p
8⅜	6½	Gordn MS f
147	30	Gard MS w
12⅜	7⅜	Gard PA f
220	50	Gordn P w
21⅛	16⅞	Gulf Can
178	60	Gulfstrm o
59	31	HCI A f
60	33	HCI Hldg B
18	9⅞	Haley
9¾	6	H Group A
27½	24⅞	Hmrsn C p
27⅜	25¾	Hmrsn C Bp
177	100	Hardee
375	120	Hrding A f
360	109	Hard Crp C

Volume of shares traded today.

Preferred share dividend $2.20 per share annually.

Stock with warrant.

Funds survey for periods ended October 31

Shown below are **annual compound rates of return** earned on investment fund shares and special guaranteed savings accounts. The **net asset value used** in calculations represents the amount investors receive when selling shares back to the fund, excluding any fees.

Rate-of-return calculations include dividends and capital gains from the start of the period and assume reinvestment of dividends in the months paid. No adjustments are made for varying sales charges or administration fees billed to the individual investor but share splits are taken into consideration.

Equity funds are categorized by historical variability of rate of return; that is, by the risk involved. Funds whose returns have historically fluctuated widely are categorized as having **high variability.** These will probably be top performers during rising markets and poor performers in falling markets.

Funds with **low variability** are those with rates of return relatively consistent through most periods. **Intermediate variability** funds have had rate-of-return fluctuations similar to the general market.

Dividend-income funds are low-risk equity funds that invest in high-yielding preferred and common shares. While some are eligible for tax shelters such as registered retirement savings plans, the group is used primarily by investors who want dividend income to take advantage of the dividend tax credit to increase after-tax returns.

Fixed-income funds invest in bonds, mortgages or both. While they have generally been less volatile than equity funds, there have been periods in recent years when they have been extremely volatile because of sharp moves in interest rates.

Balanced funds include both bonds and stocks, with the actual mix changing with market conditions.

Money market funds are fixed-income funds that invest in securities that mature within one year. Their rates of return follow general trends in interest rates. This group includes savings funds that pool the savings of small investors to get wholesale deposit rates from banks.

Real estate funds are mutual funds that invest in real estate. They differ from other mutual funds in that unit or share values are based on appraisals or estimates of worth rather than market trades. As well, these funds may operate in part with borrowed funds.

Guaranteed funds are variable-rate savings accounts widely used in RRSPs. They are a benchmark of risk-free rates of return available to small investors.

Gold funds are the most volatile type of fund and tend to move independently of stock market indexes. Consequently, they are listed separately.

Performance comparisons are most valid when made within volatility categories.

The survey is compiled for *Financial Times* by S. G. Kelman & Associates, Financial Services Ltd., Toronto, and Financial Models Co. Inc., Toronto.

Equity funds

	Net asset value	% invested in foreign securities	Total assets $ mill	Dividends	Tax shelter codes	Max. sales fee	% chg mo.	% chg 3 mo.	Annual compound rates of return 1 yr	3 yr	5 yr	10 yr
High variability group												
Funds with restricted tax shelter eligibility												
AGF Special Fund Ltd.	**11.19**	74	108		GN	9.00	**3.0**	0.3	**21.4**	20.8	15.8	25.9
Bullock Amer Fund	**5.72**	96	6		GN	9.00	**2.7**	-2.2	**19.8**	10.6	8.3	....
Dixon Krogseth International	**16.77**	98	!		G	3.00	**1.1**	-1.5	**27.3**	8.5	5.1	14.3
Investors Japanese Growth Fund	**24.00**	100	105		G	8.50	**9.6**	22.7	**17.8**	27.9	17.9	17.6
HIGHEST IN GROUP							**9.6**	22.7	**27.3**	27.9	17.9	25.9
LOWEST IN GROUP							**1.1**	-2.2	**17.8**	8.5	5.1	14.3
AVERAGE OF GROUP							**4.1**	4.8	**21.6**	17.0	11.8	19.3
Funds with tax shelter eligibility												
Bullock Growth Fund	**2.04**	3	9		R1GN	9.00	**1.0**	-1.9	**9.4**	8.8	-1.1	13.2
Canadian Gas & Energy Fund Ltd	**7.00**	3	34		R1GN	9.00	**0.9**	-1.5	**2.4**	2.9	-6.9	14.4
Corporate Investors Stock Fund	**6.79**	1	9		R1GN	9.00	**2.4**	-0.6	**27.0**	24.3	5.4	18.9
Dixon Krogseth Trust	**11.92**	9	4		R1GN	3.00	**-1.6**	-7.6	**4.4**	4.4	-2.4	14.3
Growth Equity Fund Ltd.	**7.67**	1	105		R2GN	9.00	**1.9**	-2.4	**23.7**	19.1	3.7	21.6
Heritage Fund	**3.54**		1		R2		**-0.3**	-5.1	**7.8**	2.0	-3.9	10.6
International Energy Fund	**3.05**		!		R1 N	9.00	**3.7**	3.0	**8.3**	10.9	7.7	10.8
PH&N Canadian Fund	**15.86**		11		PR1G	2.00	**1.9**	-0.9	**20.9**	22.9	10.1	18.0
Royal Trust E Fund	**7.06**		15	0.005	R1G	NL	**0.1**	2.3	**3.0**	1.1	....	....
Royfund Equity Ltd.	**16.14**	9	225		R2G	NL	**3.2**	-1.3	**24.3**	25.5	8.9	17.1
Universal Svgs Natural Resourc	**6.17**	5	15		R2G	9.00	**0.7**	-2.2	**8.2**	11.0	0.3	....
HIGHEST IN GROUP							**3.7**	3.0	**27.0**	25.5	10.1	21.6
LOWEST IN GROUP							**-1.6**	-7.6	**2.4**	1.1	-6.9	10.6
AVERAGE OF GROUP							**1.3**	-1.7	**12.7**	12.1	2.2	15.4
Low variability group												
Funds with restricted tax shelter eligibility												
AGF Option Equity Fund	**4.46**	57	17		GN	9.00	**1.8**	-0.2	**19.9**	14.1	11.9	....
All-Canadian Compound Fund	**12.97**		15		N	8.00	**0.9**	-4.5	**13.5**	14.1	13.8	15.8
Eaton Bay Commonwealth Fund *	**9.99**	53	86		G	3.50	**3.1**	2.8	**17.8**	19.3	16.6	16.0
International Growth	**8.55**	88	3		N	9.00	**2.2**	-0.6	**13.5**	15.1	14.6	12.2
Trans-Canada Shares Series B	**83.68**		!				**3.9**	2.4	**23.6**	16.5	11.9	11.4
HIGHEST IN GROUP							**3.9**	2.8	**23.6**	19.3	16.6	16.0
LOWEST IN GROUP							**0.9**	-4.5	**13.5**	14.1	11.9	11.4
AVERAGE OF GROUP							**2.4**	0.0	**17.7**	15.8	13.8	13.9

Price of one unit of the fund.

Total value of the assets of the fund in millions of dollars.

Percentage of the fund in foreign securities.

Annual rates of return. Compare rates of return of various funds.

No load fund - no commission.

Maximum sales commission.

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REVIEW ORGANIZATIONS

The following organizations provide services and in some cases information to the public on matters related to investing in securities.

Alberta Securities Commission

The Alberta Securities Commission administers the Securities Act, the Franchises Act, and the Deposit Regulation Act as well as certain provisions of other legislation. The Securities Commission is divided into two bodies: Board and Agency.

The Board acts as a quasi-judicial body and formulates policy. It also acts as an appeal body to which the public may refer questions or difficulties regarding aspects of the financial marketplace over which the Commission has jurisdiction. The Agency acts as the administrative and enforcement arm of the Commission. It reviews all prospectuses of publicly traded financial instruments in Alberta, is responsible for registering all persons selling securities to the public in Alberta, and takes enforcement action against companies and individuals who contravene the Acts.

The Alberta Securities Commission publishes a weekly bulletin, *Weekly Summary,* which includes detailed information about insider trading in shares of companies doing business in Alberta. Published periodically is *Plain Disclosure,* which cautions the public about potential problem areas in the financial marketplace. Booklets available from the Commission include: *A Guide to Old Shares, An Introduction to Franchising in Alberta for Franchisors, Purchasing a Franchise,* and *The Future is Now: Basic RRSP Advantages.* Use the clip-out coupon on page 75 to order copies of these booklets. The Commission also maintains public files of historical, financial, and management information on publicly traded companies. For a small fee, you can examine the files. Contact the Commission at:

Alberta Securities Commission
21st Floor
10025 Jasper Avenue
Edmonton, Alberta
T5J 3Z5
Telephone: 427-5201

Alberta Securities Commission
4th Floor
The Alberta Stock Exchange Tower
300 - 5 Avenue S.W.
Calgary, Alberta
T2P 3C4
Telephone: 297-6454

The Alberta Stock Exchange

The Alberta Stock Exchange operates under The Alberta Stock Exchange Act 1974-75 and is the marketplace for public trading of shares of companies listed on the Exchange. It is owned by its members, being a number of national and regional investment dealers and brokers. As a self-regulatory body, the Exchange operates to protect the interests of the investing public in several ways.

Minimum listing and reporting standards are rigidly enforced both pending and after the approval of the listing of a company's shares for public trading. Once listed, defined sustaining performance requirements are imposed. The Exchange requires specified standards of conduct by its member firms and their employees, and exercises licensing and registration responsibilities in this regard. It is a sponsoring member of the National Contingency Fund (as explained on page 12) and in this role monitors the financial condition of designated members and adjudicates claims against member firms, its registered employees and ultimately against the Fund.

The Exchange is a participating member of the Canadian Securities Institute with its vested accountability for the ongoing education and knowledge enhancement of all persons working in the securities industry. Contact the Exchange at:

The Alberta Stock Exchange
The Alberta Stock Exchange Tower
6th Floor, 300 - 5 Avenue S.W.
Calgary, Alberta
T2P 3C4
Telephone: 262-7791

Investment Dealers Association

The Investment Dealers Association (I.D.A.) is a national organization whose members are investment dealers and brokers doing business in Canada. The I.D.A. acts in many capacities to serve the interests of the investing public. First, it acts as a self-regulatory body to enforce its bylaws. These include a stringent code of behavior for investment dealers who are I.D.A. members. The Association also monitors the financial solvency of member firms, and conducts periodic compliance audits to ensure that business with clients is properly transacted.

In conjunction with the Canadian Securities Institute, the I.D.A. and Stock Exchanges perform an education and information function. Small publications, issued periodically on pertinent subjects, are made available to the public through investment dealers' offices or directly from the I.D.A.

The I.D.A. acts in a disciplinary capacity with its members, and investigates complaints from the public about member firms. Contact the Association at:

Investment Dealers Association
Suite 2330, 355 - 4 Avenue S.W.
Calgary, Alberta
T2P 0J1
Telephone: 262-6393

Alberta Consumer and Corporate Affairs

Alberta Consumer and Corporate Affairs is a multi-faceted department serving the interests of both consumers and business. Through the Consumer Education and Information Program, workshops and publications on financial matters are provided by the department's regional offices. A list of publications relating to financial matters is provided below along with a clip-out order coupon. Contact your nearest regional office for more information about departmental services.

Calgary 297-5700
301 Centre 70
7015 Macleod Trail S.
Box 5880, Postal Station A
Calgary, Alberta
T2H 2M9

Edmonton 427-5782
3rd Floor, Capilano Centre
9945 - 50 Street
Edmonton, Alberta
T6A 0L4

Fort McMurray 743-7231
Provincial Building
5th Floor, West Tower
9915 Franklin Avenue
Fort McMurray, Alberta
T9H 2K4

Grande Prairie 538-5400
2nd Floor, Provincial Building
10320 - 99 Street
Grande Prairie, Alberta
T8V 6J4

Lethbridge 381-5360
#300 Professional Building
740 - 4 Avenue S.
Bag Service 3014
Lethbridge, Alberta
T1J 4C7

Medicine Hat 529-3535
303 Provincial Building
770 - 6 Street S.W.
Medicine Hat, Alberta
T1A 4J6

Peace River 624-6214
2nd Floor, Provincial Building
9621 - 96 Avenue
Bag 900, Box 9
T0H 2X0

Red Deer 340-5241
2nd Floor, Provincial Building
4920 - 51 Street
Red Deer, Alberta
T4N 6K8

MONEY MANAGEMENT INFORMATION

To receive free information, complete this coupon and mail it to any regional office of Alberta Consumer and Corporate Affairs (see addresses above), or to: Alberta Consumer and Corporate Affairs, Box 1616, Edmonton, Alberta, T5J 2N9.

Place a check mark beside the publications you wish to receive.

______ Buying a House
______ Children's Allowances
______ Cosigning Credit Contracts
______ Credit Worthiness and Credit Reporting Agencies
______ The Future is Now: Basic RRSP Advantages
______ A Guide to Old Shares
______ How Marital Status Affects Credit
______ An Introduction to Franchising in Alberta for Franchisors
______ Legal Remedies of Credit Grantors
______ Mortgages
______ Purchasing a Franchise
______ Purchasing Real Estate Outside Alberta
______ Purchasing Time Sharing
______ Responsible Credit Use
______ Shop Around
______ Taking Charge of Your Money
______ 2000 A.D. — A Guide to Financial Awareness
______ Moving Out (a guide to independent living for young adults)

Name: ______________________________

Address: ______________________________

City/Town: ______________________ Postal Code: ____________

Use The Glossary

A

ALBERTA CAPITAL BONDS: A debt instrument issued by the Province of Alberta, registered in the name of an individual or corporation. Adjusted semi-annually according to market conditions, interest on the bond is payable semi-annually. Issued for three-year terms, the bonds may be cashed within three days of each interest payment date at most Canadian financial institutions. Check for current terms when considering investment.

ALBERTA STOCK SAVINGS PLAN (ASSP): An investment which offer tax credits of 30%, 15% or 10%, to be applied against provincial tax payable. Shares placed in an ASSP account must either be left there for two full taxation years or, if sold, must be replaced with a block of newly issued ASSP eligible shares of equal value, in order to take advantage of the tax credit.

ANNUITY: An investment contract providing the investor with a fixed payment at regular periods, often monthly. Each payment represents a portion of the capital invested and interest earned.

ASSET: Anything of monetary value that is owned. A car and house are examples of physical assets; a savings account, cash, and a bond are examples of financial assets.

B

BEARER SECURITY: A security for which the issuing company keeps no record of ownership, neither in its books nor on the security certificate. The holder of a bearer security is assumed to be the owner. Also known as a security in STREET FORM. (See also REGISTERED SECURITY.)

BLUE-CHIP SHARES: Active securities of leading, well-known companies with continuous records of paying dividends every quarter for at least 25 years, through good and bad economic times. Blue-chip securities have strong investment qualities.

BOND: A certificate of debt issued by a government or company. In effect, the bondholder loans money to the bond issuer for a definite period of time at a specified rate of interest. When the bond matures, the loan must be repaid to the bondholder. The borrower pledges assets as security for the loan, except in the case of government bonds.

BULLION: Precious metals such as gold and silver in the form of ingots or bars rather than coins.

C

CANADA SAVINGS BONDS: A debt investment issued by the Government of Canada. Canada Savings Bonds (CSBs) may be registered in the name of an individual or a joint name. They are sold in regular interest form with interest paid annually or in compound interest form with the accumulated interest paid together with the principal when the bond matures. CSBs may be cashed by the owner at any time at most Canadian financial institutions. The principal plus accrued interest will be paid.

CAPITAL: An investor's financial assets, especially cash. In an economic sense, the term refers to physical assets such as machinery and buildings which companies use to produce goods.

CAPITAL GAIN OR LOSS: The profit or loss resulting from the sale of a capital asset.

CAPITAL GAINS DEDUCTION: A deduction allowed on the taxable portion of capital gains reported, up to a maximum lifetime cumulative limit of $100,000 of gross capital gains, or $500,000 for capital gains relating to qualifying farm property or qualifying small business corporation shares. The availability of the deduction in any given year may be limited by the individual's CNIL.

CERTIFICATE: The document that indicates legal ownership of a share, bond, or debenture.

COMMODITY EXCHANGE: A market where commodities and futures contracts for commodities are bought and sold.

COMMON SHARES: Securities that entitle the holders to ownership in the issuing company. They generally carry voting privileges.

COMPOUND INTEREST: Interest calculated not on the principal only, but on the sum of the principal and interest accrued (not paid out).

CONVERTIBLE SECURITY: A debenture or preferred share that can be exchanged for common shares of the issuing company, in keeping with specified terms of the conversion privilege.

COUPON: The percentage of a bond's or debenture's face value that is paid by the issuer to the holder as yearly interest. (An 8.5% coupon on a $1,000 bond is worth $85 a year.) In some cases, a coupon is the detachable portion of a bond certificate that entitles the holder to a specified interest payment when presented at a bank or trust company on or after its due date.

CUMULATIVE NET INVESTMENT LOSS (CNIL): Calculated on a cumulative basis beginning in 1988, CNIL is generally the excess of deductions relating to investments and limited partnerships over investment income.

CUMULATIVE PREFERRED SHARES: A preferred share that comes with this provision: should any dividend payments not be made, those unpaid dividends will accumulate and be payable to the cumulative preferred shareholders before any dividends can be paid on the common shares.

D

DEBENTURE: A certificate of debt issued by a government, corporation or financial institution. It is similar in most respects to a bond, except that in most cases it is backed only by the general credit of the issuer (see CDIC box, page 13, for further information on debenture insurance). A debenture is not secured by a specific claim on an asset.

DEBT INVESTMENT: Lending your money to a borrower who pays you interest for the use of your money over a variable or fixed term and repays the principal or face value on demand or at maturity. For example, in the case

of debt investments such as savings accounts, term deposits or debentures issued by loan companies or chartered banks, the borrower is a financial institution, while in the case of bonds or other debentures, the borrower is the government or a corporation.

DEMAND ACCOUNT: Money held by a banking institution in an account from which you can make withdrawals any time on demand. Savings, chequing and daily interest accounts are demand accounts.

DEPOSIT: A sum of money that is put into a financial instrument or demand account offered by a financial institution. The financial instrument is a debt investment. Interest is credited on the deposited money at a specified rate and paid daily, monthly, semi-annually or annually. The principal plus accrued interest may be withdrawn on demand, or at the end of a fixed term. For a discussion of the safety of your money in a deposit, see the section "Keep Your Savings Safe," on page 11.

DISCOUNT: The amount by which preferred shares or bonds sell below their stated face value.

DISCOUNT BROKER: A stockbroker who charges less commission than a full-service broker. Discount brokers only take orders to buy and sell securities; they do not give advice or offer information.

DIVERSIFICATION: The process of reducing portfolio risk by selecting a range of investments — from low risk debt investments of various terms, to equity investments such as your personal residence, growth-oriented shares, or mutual funds.

DIVIDEND: The portion of a company's profit that is paid to shareholders, in cash or shares, in proportion to the number of shares they hold; usually paid four times a year.

DIVIDEND TAX CREDIT: A tax credit applicable to dividends paid by Canadian companies. In calculating your income tax with respect to the dividend tax credit, you "gross up" by reporting 125% of the dividend amount as income. You are then allowed 13 1/3% of the taxable or "grossed up" dividend as a credit towards the federal tax you owe. See your tax advisor to remain informed about dividend tax credit rulings.

E

EQUITY: The ownership of rights of common and preferred shareholders in a company. Equity also refers to the difference between assets and liabilities, sometimes called net worth.

EQUITY INVESTMENT: Using your money to buy a share or the entire ownership of a business, property or commodity.

F

FACE VALUE: The value of a bond or preferred share that is printed on the face of the certificate. Also called par value, face value is ordinarily the amount the issuing company promises to pay upon maturity of a bond or on liquidation of the company. Face value has little relationship to market value.

FULL-SERVICE BROKER: A stockbroker who charges full commission for a complete range of services, including buying and selling securities, offering investment advice, and providing information about securities and their issuers.

G

GROWTH SHARES: Shares of young, aggressive companies which frequently direct most of their profits back into the company to develop new products or expand the business.

GUARANTEED INVESTMENT CERTIFICATE (GIC): A GIC guarantees a specified rate of interest for a stated period of time, usually one to five years, but requires a specified minimum investment. It usually cannot be cashed or sold before maturity.

I

INTEREST: The money borrowers pay to lenders for use of their money.

INTEREST PENALTY: The amount by which interest owing is reduced because the investment is redeemed before maturity.

INVESTING: Using money to make more money; that is, using money to increase capital or gain income.

INVESTMENT: Anything into which money can be put for the purpose of earning a profit. For a discussion of the safety of your money in an investment, see the section "Keep Your Savings Safe," on page 11.

INVESTMENT CONTRACT: A contract, based primarily on pooled mortgage-fund investments, which is redeemable for the principal plus a stated basic rate of interest, accompanied by an additional credit adjusted every three years.

L

LEVERAGE: Using borrowed money to increase the amount of an investment and thereby increase the potential for profit.

LIABILITY: Amount of money owed; debt.

LIQUIDATE: To convert securities or other property in cash.

LIQUIDITY: The ease with which an investment can be converted into cash without an appreciable loss.

LOAD: The portion of the total purchase price for units of a mutual fund that covers acquisition costs such as sales commission.

LOAN COMPANIES: Frequently subsidiaries of banks or trust companies, loan companies accept deposits from the public primarily for the purpose of funding mortgages. A loan company must be registered under the federal Loan Companies Act, or under similar provincial legislation.

M

MARGIN ACCOUNT: A special account set up by a broker which allows a client to purchase securities by borrowing a portion of the total price from the investment firm. Interest is charged on this loan, and it is secured by the client's securities which are held in bearer form in the broker's account.

MARKET PRICE: The last price at which a security has traded.

MATURITY: The point in time when a financial obligation, such as a loan or a bond, becomes due and payable.

MONEY MARKET: The market where short-term, relatively low-risk debt securities are bought and sold.

MONEY MARKET FUND: A type of mutual fund invested solely in short-term, low-risk debt securities such as treasury bills, bankers' acceptance notes, and other commercial debt instruments.

MORTGAGE: A legal document pledging a specific property as security for a loan.

MUTUAL FUND: Money pooled by individuals to be invested on their behalf, usually in a specific kind of investment such as common shares, mortgages, or money market instruments.

N

NHA MORTGAGE-BACK SECURITIES (NHA MBSs): An investment in a pool of insured residential first mortgages. As mortgages, these investments are secured by the value of underlying real estate. CMHC provides mortgage loan insurance on all pooled mortgages and an unconditional guarantee under the National Housing Act (NHA) of timely monthly payments of principal and interest.

NET WORTH: The difference between assets and liabilities.

NEW ISSUE: A first-time distribution of securities for sale by the issuer.

O

OPTION: The right to buy or sell a specific security at a specific price within a set period of time. An option that gives the holder the right to sell is called a "put option;" one giving the holder the right to buy is known as a "call option." Most options are listed, which means they can be traded on exchanges.

ORDER: A customer's instruction to a broker to buy or sell. A MARKET ORDER is an order to buy or sell a security as soon as the order is received, at the best available market price. An OPEN ORDER is an instruction to buy or sell a security when it reaches a certain market price, rather than at the market price at the time of the order.

P

PENNY SHARES: Low-priced, speculative shares that usually sell at less than a dollar each.

PORTFOLIO: The complete collection of investments held by an investor or group of investors.

PREFERRED SHARES: Shares that entitle the owner to fixed dividends payable before dividends on common shares, and to receipt of a stated dollar value per share in the event of liquidation of the issuing company. Preferred shares do not usually carry voting privileges.

PRESENT VALUE: The current value of something (usually money) to be delivered in the future.

PRINCIPAL: The face value of any debt, security, or loan on which interest is paid or charged.

PROSPECTUS: A legal document which gives prospective buyers information about a new issue of shares being offered to the public. It must conform to the requirements of securities commissions wherever the issue is being offered for sale.

PROXY: Written authorization from a shareholder to someone else to represent the shareholder and vote his shares.

R

REAL RATE OF RETURN: The income from an investment, expressed as a percentage of an investment after the effects of inflation have been subtracted. Your real rate of return is also reduced by taxation.

REDEEM: To buy back. In the case of a debt investment, bond or debenture, the issuer pays back your money (the face value of the instrument plus interest accrued to the date of redemption), pays premium on early redemption (if applicable), and takes back the certificate.

REGISTERED RETIREMENT INCOME FUND (RRIF): A retirement vehicle used most often as a receptacle for funds held in an RRSP until the time of mandatory termination of the plan. Allowing for variation in income until the planholder reaches age 90, RRIFs are effective methods of deferring income.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP): A government-approved tax-sheltered plan to help you save for retirement. There are limits on contributions. Contributions and their earnings are exempt from tax until they are withdrawn from the plan. An RRSP is not a type of investment. It is a plan into which you put investments of your choice.

REGISTERED SECURITY: A security for which ownership is recorded on the certificate and on the books of the issuing company. A registered security cannot be transferred without the owner's signature and an accompanying transfer on the issuer's books. See also BEARER SECURITY.

RISK: Financial uncertainty; the possibility of losing invested funds due to a decline in the value of the investment.

RIGHTS AND WARRANTS: A RIGHT is a shareholder's option to buy additional shares from the issuer within a specific period of time. A WARRANT is similar to a right, but is extended over a longer period.

S

SECURITIES COMMISSION: A provincial body responsible for administration of the legislation that regulates the securities industry.

SECURITIES MARKET: A general term used to describe the collectivity of markets in which debt and equity securities are traded.

SECURITY: A document that signifies ownership of an investment asset, such as shares, bonds, and debentures.

SELF-ADMINISTERED RRSP: Differs from other types of RRSPs in that the planholder is responsible for making all investment decisions, with arrangements being made through a trust company, bank, brokerage house or mutual fund dealer. The company that holds your self-directed plan acts as trustee, accepting your deposits and receiving or delivering any securities you buy and sell through your broker. It then credits your RRSP.

SETTLEMENT DATE: The date when a security must be paid for or delivered, usually on or before the fifth business day following the transaction.

SHARE: Ownership of part of the capital stock of a company; a certificate that documents this ownership. Also called stock.

SPLIT: An action on a company's part designed to reduce the price of its shares. The company divides its outstanding shares, thereby increasing the number of existing shares. For example, a two-for-one split of 400,000 shares would create 800,000 shares. Because a split has no effect on total market value of all outstanding shares, this action would halve the price per share. A share selling at $10 before a

two-for-one split would be worth $5 after the split. Also called a stock split.

STOCKBROKER: One who buys and sells securities for customers and charges a commission for these services. See also DISCOUNT BROKER and FULL-SERVICE BROKER.

STOCK EXCHANGE: A specific market in which shares or stock are publicly traded. Also an association of investment dealers who conduct the business of stock trading.

STREET FORM: See BEARER SECURITY.

STRIPPED BOND: A bond that has been stripped of its coupons. Both the stripped bond and its coupons ae sold separately at present value. The return on the bond and the coupons comes from the difference between their face value at maturity and their selling price. No interest is earned, but the increase in value is deemed to be interest for tax purposes. May be called a ZERO COUPON BOND.

T

TAX DEFERRAL: Using discretionary tax deductions (e.g., RRSP contribution) or methods of delaying the inclusion of income (e.g., reporting interest on received versus accrual basis) to defer the liability for tax related to those items until a future year.

TAX SAVINGS: Using a variety of methods – such as tax deferrals (to take advantage of lower future tax rates), income-splitting, or claiming strategic tax deductions based on an annual review of allowable deductions – to reduce the amount of personal tax owing.

TERM DEPOSIT: A security issued by financial institutions – such as credit unions, banks and trust companies – that earns interest at a fixed rate for a specified period of time. The interest is usually higher than that paid on a premium savings account.

TERM: The length of time before an investment reaches maturity.

TREASURY BILLS: Short-term debt securities issued by government. Treasury bills are sold at a discount and mature at face value. The difference between the selling price and face value represents the lender's earnings in lieu of interest.

V

VARIABLE RATE CERTIFICATE (VRC): Issued by Alberta Treasury Branches, VRCs are similar to GICs in that they require a specified minimum investment, but their return is based on a variable rate of interest (the Treasury Branches' prime lending rate less a percentage), paid monthly, semi-annually, annually or at maturity. Term varies from 90 days to five years.

W

WARRANT: See RIGHTS AND WARRANTS.

Y

YIELD: The income from an investment expressed as a percentage of the investment's current market value.

YIELD TO MATURITY: A complicated but widely used method of calculating a bond's value by taking into account the remaining term of the bond, its coupon payments, and its ultimate redeemable value.

Z

ZERO COUPON BOND: See STRIPPED BOND.

Notes